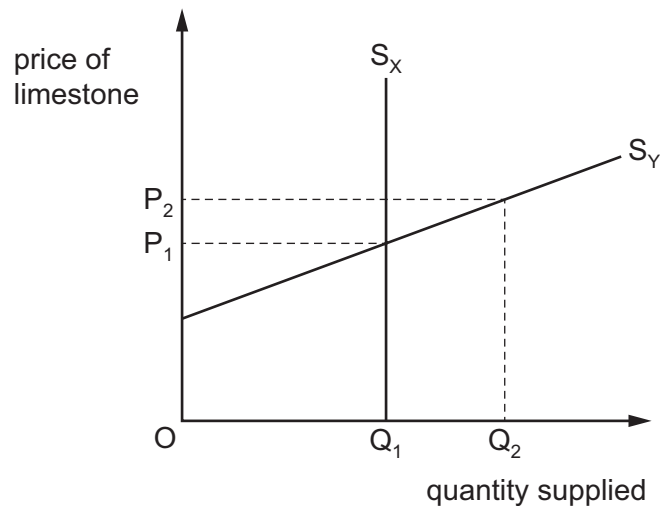


- 4 What justifies government intervention in the provision of a merit good such as education?
- A People who pay for education value it more than those who cannot pay.
 - B Private schools have more merit than state schools.
 - C Social costs of providing education outweigh social benefits of education.
 - D Some consumers do not fully recognise the value of education.
- 5 The diagram shows the supply of limestone from quarry X and quarry Y at two prices.



What is the measure of the responsiveness of supply as the price increases from P_1 to P_2 ?

	S_X	S_Y
A	0	>1
B	<1	1
C	1	<1
D	>1	0

- 6 What is a perfectly contestable market?
- A a market in which the costs of entry and exit are zero
 - B a market in which there are high barriers to entry
 - C a market that has high sunk costs
 - D a market that uses price discrimination