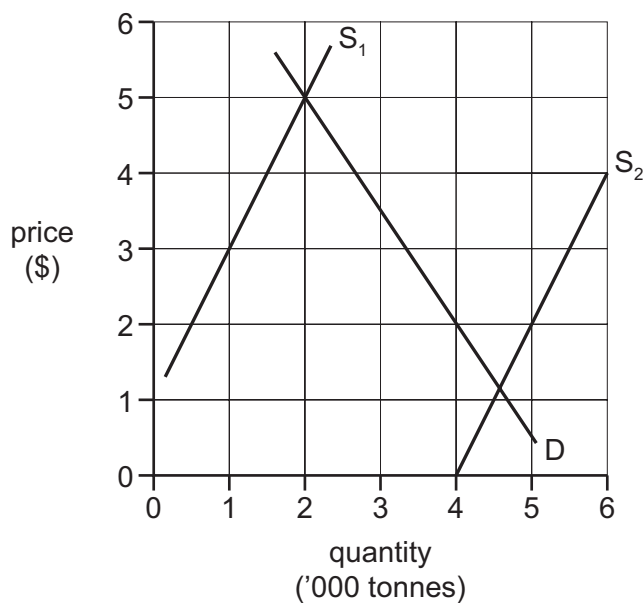


- 16** Why does the production of public goods have to be financed by the government?
- A** One person's consumption of a public good means it is not available for anyone else.
  - B** People are able to consume public goods without paying for them.
  - C** Private sector firms will charge a price significantly above cost for public goods.
  - D** The cost of producing public goods is higher in the private sector.
- 17** In the diagram, D is the demand curve for an agricultural commodity and  $S_1$  is the initial supply curve.



A good harvest causes the supply curve to shift to  $S_2$ .

By how much will the demand curve have to shift to leave farm incomes unchanged?

- A** 500 tonnes
- B** 1000 tonnes
- C** 2000 tonnes
- D** 4000 tonnes