

12 When demand for a good falls, its price falls.

What is the function of the price fall?

- A** to eliminate shortages
- B** to reduce consumer surplus
- C** to send a signal to producers
- D** to stimulate a further fall in demand

13 When is a rise in the price of a product likely to cause more resources to be allocated to its production?

- A** if demand increases when the supply curve is perfectly inelastic
- B** if the demand curve shifts to the right when the supply curve is inelastic
- C** if supply increases when the demand curve is perfectly inelastic
- D** if the supply curve shifts to the left when the demand curve is elastic

14 A congestion charge of £10 per day has been imposed on motorists taking their cars into Central London.

What is it about driving into Central London that provides the economic justification for this charge?

- A** The external benefits are greater than the external costs.
- B** The private costs are greater than the external costs.
- C** The social benefits are greater than the private benefits.
- D** The social costs are greater than the private costs.