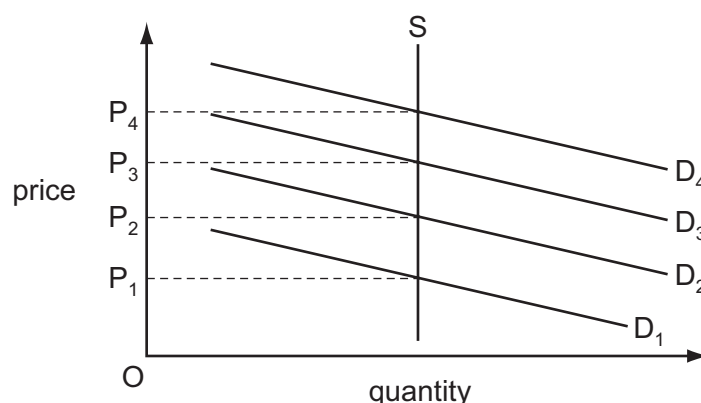


- 13** In the diagram, the supply curve shows the number of spaces in a car park and the demand curves show the demand for spaces on four different days ( $D_1$ ,  $D_2$ ,  $D_3$  and  $D_4$ ).



The owner wishes to charge a parking fee on each of these days to allocate the spaces according to the market mechanism.

Which pricing policy should the owner use?

- A** set a fixed price at  $P_1$
  - B** set a fixed price at  $P_4$
  - C** vary prices between  $P_2$  and  $P_3$
  - D** vary prices between  $P_1$  and  $P_4$
- 14** Which situation would indicate the presence of an externality?
- A** Producers' actions cause a shortage of a particular good.
  - B** Private motorists contribute to traffic congestion in city centres.
  - C** Differences in ability cause inequality in the distribution of income in an economy.
  - D** Increased demand for a good by the rich raises its price for poorer consumers.
- 15** The term 'cost' in public sector cost-benefit analysis is defined as
- A** external costs.
  - B** financial costs.
  - C** private costs.
  - D** social costs.