

- 13** In which situation will it be necessary to use an alternative to the price mechanism to allocate a good between consumers?
- A** Producers of the good receive a subsidy.
 - B** The government imposes a specific tax on the good.
 - C** The government sets a maximum price below the equilibrium price.
 - D** The quantity of the good available is fixed.
- 14** Which policy adopted by an airline is the result of an externality?
- A** price cutting against rival airlines
 - B** the prohibition of smoking on aircraft
 - C** the provision of different classes of seating accommodation
 - D** the use of internet booking facilities
- 15** What will be the result, from society's view, if the market price for a product does not reflect the negative externalities in its production?
- A** too little consumption and too little production
 - B** too little consumption and too much production
 - C** too much consumption and too little production
 - D** too much consumption and too much production
- 16** The table shows some of the costs and benefits, in \$ millions, associated with a road building project. Both a government department and a profit-maximising private firm are considering building the road.

private costs	external costs	external benefits	social benefits
450	75	50	550

Who would be willing to build the road?

- A** Both would be willing to build it.
- B** Neither would be willing to build it.
- C** Only the government department would be willing to build it.
- D** Only the private firm would be willing to build it.