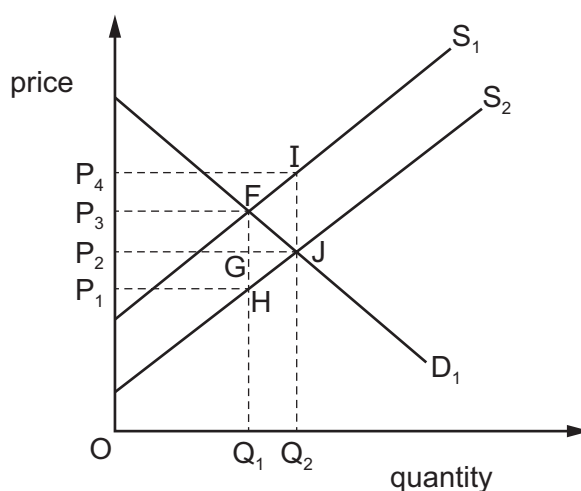


- 15 Why does the production of public goods have to be financed by the government?
- A One person's consumption of a public good means it is not available for anyone else.
 - B People are able to consume public goods without paying for them.
 - C Private sector firms will charge a price significantly above cost for public goods.
 - D The cost of producing public goods is higher in the private sector.

- 16 Which payment is a transfer payment?

- A households' payments of indirect taxes
- B government pension payments
- C payments between firms for the supply of raw materials
- D payment of salaries

- 17 The diagram shows the effects of a subsidy in the market for wheat.



Which area shows the total government spending on the subsidy?

- A OP_2JQ_2
- B OP_3FQ_1
- C P_3FJP_2
- D P_2P_4IJ

- 18 A government wishes to reduce the consumption of alcohol.

Which policy will it use to achieve this aim by fixing the price of alcohol?

- A fix maximum price above market price
- B fix maximum price below market price
- C fix minimum price above market price
- D fix minimum price below market price