

- 13** Which government policy might limit the rationing function of the price mechanism?
- A** the imposition of tariffs on imported consumer goods
  - B** the levy of indirect taxes at varying rates on different goods
  - C** the payment of subsidies to food producers
  - D** the setting of maximum prices for rented housing
- 14** 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 much consumption and too much production
  - B** too much consumption and too little production
  - C** too little consumption and too little production
  - D** too little consumption and too much production
- 15** An increase in tuition fees paid by students has no effect on the number of students entering higher education.

What will be the effect on the private rate of return obtained by students from higher education and on the social rate of return to society as a whole?

	private rate of return	social rate of return
<b>A</b>	decrease	increase
<b>B</b>	decrease	uncertain
<b>C</b>	increase	increase
<b>D</b>	increase	uncertain

- 16** The government has to choose the best one of four possible sites to locate a port.

The benefits and costs of each site are shown in \$m in the table.

Which site would be chosen?

	private benefits	external benefits	private costs	external costs
<b>A</b>	900	600	10	50
<b>B</b>	700	1100	20	5
<b>C</b>	800	1100	80	40
<b>D</b>	1000	900	100	200