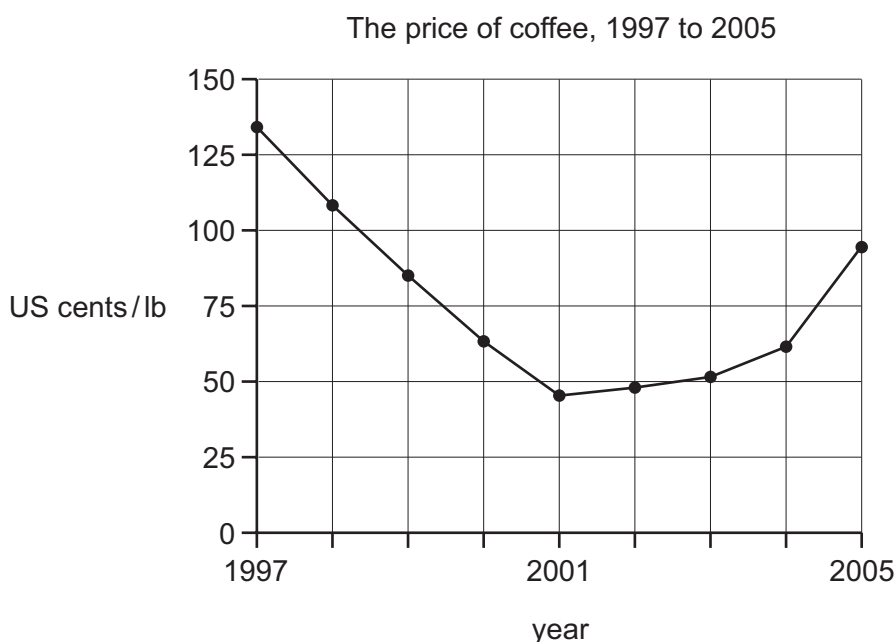


- 12 The diagram shows the average world price of coffee in US cents per pound weight (lb) between 1997 and 2005.



Which event is consistent with the price behaviour shown in the specified time period?

- A a continuous rise in the price of tea between 1997 and 2001
  - B the entry to the market of new producers of coffee between 1997 and 2001
  - C a series of good coffee harvests between 2001 and 2005
  - D increasing health worries about drinking coffee between 2001 and 2005
- 13 What is **not** a function of the price mechanism?
- A to ensure that firms make profits
  - B to permit consumers to express their preferences
  - C to ration scarce resources
  - D to signal where resources are required
- 14 In Europe it was decided that farm subsidies would be paid to farmers who protect the environment as well as producing food.

What would this mean for farmers who receive the subsidy?

- A They must not increase the price of food.
- B They must not make excessive profits.
- C They must take into account external costs as well as private costs.
- D They should produce additional food only if externalities are zero.