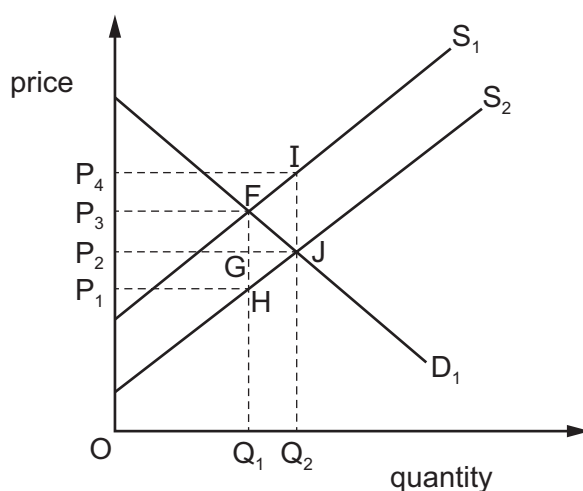


- 15 Why does the production of public goods have to be financed by the government?
- A One person's consumption of a public good means it is not available for anyone else.
  - B People are able to consume public goods without paying for them.
  - C Private sector firms will charge a price significantly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