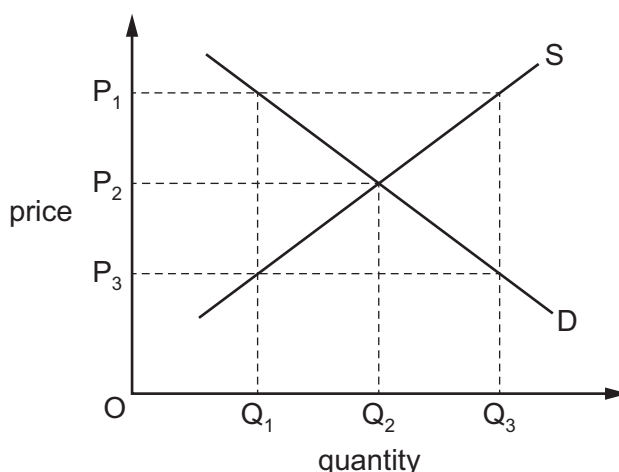


- 12 In a free market in disequilibrium, which combination of price and quantity will lead to a fall in price and a contraction in output to reach equilibrium?



- A** P_1Q_1 **B** P_1Q_3 **C** P_3Q_1 **D** P_3Q_3
- 13 In which set of circumstances will prices **not** be able to perform their function as an allocative mechanism, but may still have a role as a rationing device?
- A** The government sets maximum prices for all goods above their market clearing price.
B The government sets minimum wages for all workers below the market rates of pay.
C The quantities of all goods available to consumers are in fixed supply.
D The total income consumers have available to spend is fixed.
- 14 The table shows, for two different quantities of good X, the total amount consumers are willing to pay and the total external benefits that are generated.

quantity of good X (units)	consumers' willingness to pay (\$)	total external benefits (\$)
3	240	54
4	280	68

What is the additional social benefit when 4 units rather than 3 units are produced?

- A** \$14 **B** \$40 **C** \$54 **D** \$348
- 15 Which statement about the provision of goods is correct?
- A** Governments and private producers supply merit goods.
B Governments and private producers supply public goods.
C Governments are unable to supply private goods.
D Governments subsidise the production of demerit goods.