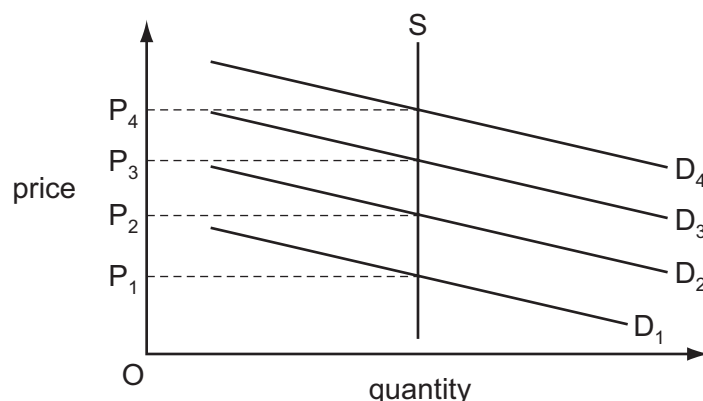


- 13** In the diagram, the supply curve shows the number of spaces in a car park and the demand curves show the demand for spaces on four different days (D_1 , D_2 , D_3 and D_4).



The owner wishes to charge a parking fee on each of these days to allocate the spaces according to the market mechanism.

Which pricing policy should the owner use?

- A** set a fixed price at P_1
 - B** set a fixed price at P_4
 - C** vary prices between P_2 and P_3
 - D** vary prices between P_1 and P_4
- 14** Which situation would indicate the presence of an externality?
- A** Producers' actions cause a shortage of a particular good.
 - B** Private motorists contribute to traffic congestion in city centres.
 - C** Differences in ability cause inequality in the distribution of income in an economy.
 - D** Increased demand for a good by the rich raises its price for poorer consumers.
- 15** The term 'cost' in public sector cost-benefit analysis is defined as
- A** external costs.
 - B** financial costs.
 - C** private costs.
 - D** social costs.