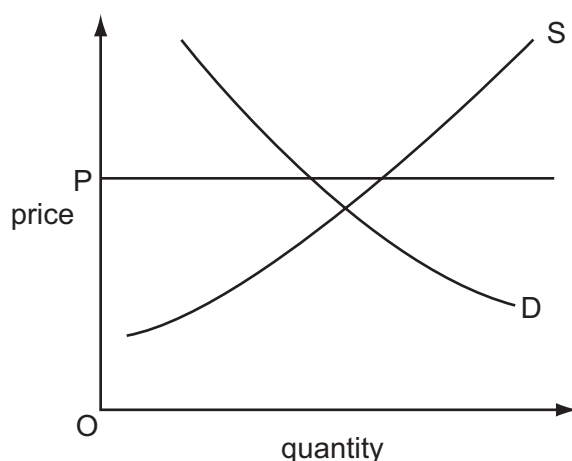


16 A lighthouse is considered to be a public good.

Which characteristic contributes to this?

- A** It gives external benefit.
- B** It causes external cost.
- C** It is non-excludable.
- D** There is rivalry in its use.

17 The diagram illustrates a market for wheat. The government sets a maximum price of OP.



What could cause the maximum price to have an impact on the market?

- A** an increased wheat harvest
- B** a fall in the price of rice
- C** an advertising campaign for bread
- D** an increase in subsidies to wheat farmers

18 A government wishes to encourage the consumption of a merit good and reduce the consumption of a demerit good.

Which policy should it adopt towards each good?

	merit good	demerit good
A	impose a minimum price	produce only in the public sector
B	increase advertising on the benefits of the good	put legal controls on output
C	confine access to certain age groups	tax output
D	subsidise the good	set a minimum level of output