16 An international oil company announced that it would stop exploring for oil off the coast of Namibia. This was because there was only enough oil to support a local power station for Namibia and not enough to allow exports of oil.

What might be a possible advantage and disadvantage to Namibia of this decision?

	advantage	disadvantage
A	a reduction in potential external costs of pollution	the loss of cheaper oil
B	a reduction in taxes paid by the oil company to the Namibian government	the conservation of a natural resource
C	a saving in costly research paid for by the oil company	a loss of employment opportunities
D	the exhaustion of a natural resource	the loss of potential exports

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

18 A government aims to stabilise the incomes received by farmers. To achieve this it uses a policy of buying and selling farm products on the free market.

When will it **not** need to respond to changes in the supply of farm products?

A when elasticity of supply of farm products is zero

B when farmers produce record harvests

C when price elasticity of demand for farm products is unitary

D when weather conditions can be accurately predicted