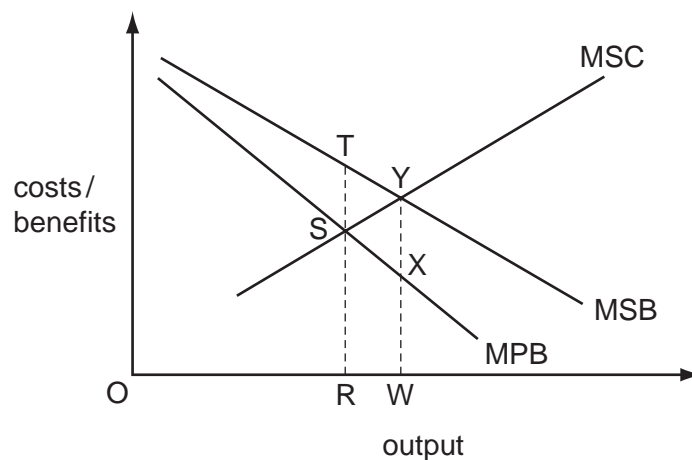


- 12** Between 2006 and 2007, the price of skimmed milk powder on the world market rose from \$1000 per tonne to \$2400 per tonne.

Assuming that the market is a free market, what will result from the price change?

- A** Consumers will buy more complements to skimmed milk powder.
 - B** Farmers will increase the size of their dairy herds to supply more milk.
 - C** Firms processing milk into skimmed milk will switch to producing substitutes.
 - D** Governments will introduce a system of rationing.
- 13** Which statement indicates that the price mechanism is allocating resources successfully?
- A** Belgian chocolate companies increase supplies to China because of higher than expected sales.
 - B** Train operators in India lower fares because of overcrowding on trains.
 - C** US supermarkets throw away large amounts of food because of misjudging demand.
 - D** World fish stocks decline because of over-fishing.
- 14** A government is planning to intervene in a market to fix output at the economically desirable level by giving a subsidy.



To achieve its objective, what should be the subsidy per unit?

- A** ST
- B** SX
- C** TY
- D** XY