

- 13** 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.
- 14** A firm opens a new factory on the outskirts of a town.

What will be included among the externalities arising from the opening of the new factory?

	an increase in traffic congestion	an increase in the wages paid to workers in a neighbouring factory	an increase in the sales revenue of local shopkeepers
A	no	no	yes
B	no	yes	yes
C	yes	no	no
D	yes	yes	no

- 15** The table shows some of the costs when a firm produces a good.

output	total cost to society \$	external cost \$
23	316	16
24	322	18

What is the additional cost to a firm of producing the 24th unit?

- A** \$2 **B** \$4 **C** \$6 **D** \$8
- 16** What impact would internalising negative externalities have on the output and price of a product?

	output	price
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase