

- 11 Global stocks of cod are currently under threat due to over-fishing whilst there are plentiful supplies of the less popular Alaskan pollock.

How might the price mechanism operate to limit the depletion of fish stocks?

- A The price of both cod and Alaskan pollock will fall.
- B The price of both cod and Alaskan pollock will rise.
- C The price of cod will fall whilst the price of Alaskan pollock will rise.
- D The price of cod will rise whilst the price of Alaskan pollock will fall.

- 12 The table shows some of the costs and benefits at a given level of production of a good.

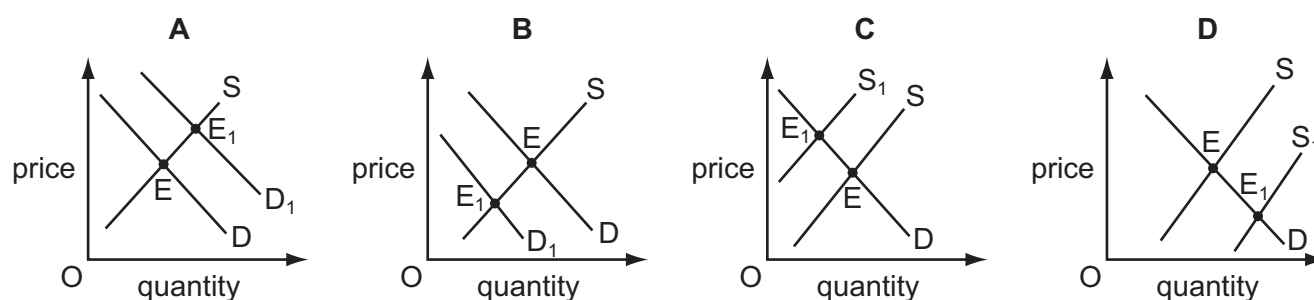
costs	\$m	benefits	\$m
private	80	private	90
social	200	external	100

What is correct at this level of production?

- A External benefits exceed external costs.
- B Private benefits exceed external costs.
- C Private costs exceed social benefits.
- D Social costs exceed social benefits.

- 13 The consumption of a good generates external benefits. Its market equilibrium is E.

Which diagram shows the change in the equilibrium (E to E<sub>1</sub>) necessary to reflect the correct value of the good to society?



- 14 What is an advantage, rather than a disadvantage, of cost-benefit analysis in deciding on a government investment project?

- A Economic agents place different values on external costs and external benefits.
- B Estimates of external costs and external benefits are included.
- C Forecasts of future costs and benefits vary over time.
- D Miscalculations of the costs are financed by the taxpayer.