

- 13 For price to act as a rationing mechanism, the effect of a rising price must be to
- A attract new firms into the market.
 - B generate additional profits for producers.
 - C reduce the quantity demanded by some individuals.
 - D signal the need for a reallocation of resources.
- 14 Which of the following might explain a simultaneous increase in both price and quantity traded in the market for a normal good?
- A the removal of an effective maximum price on the good
 - B technological progress in the production of the good
 - C the imposition of a tax on the good
 - D the granting of a subsidy to producers of the good
- 15 A financial investigation by a private firm finds that a new railway line would **not** be profitable. A cost-benefit analysis finds that the line is worth constructing. What could explain this difference?
- A There are external costs not included in the financial investigation.
 - B There are external benefits not included in the financial investigation.
 - C A higher rate of interest is used in cost-benefit analysis.
 - D Cost-benefit analysis uses a higher estimate for wage costs.
- 16 Which of the following statements is correct?
- A Education is a public good because the government subsidises schools.
 - B Healthcare is a public good when provided free of charge.
 - C Law and order is a public good because it is provided by the government.
 - D Street lighting is a public good because no one can be prevented from enjoying the benefits.
- 17 A government believes that consumers derive greater benefit from a good than consumers themselves realise. Which type of good does this define?
- A inferior goods
 - B merit goods
 - C private goods
 - D superior goods