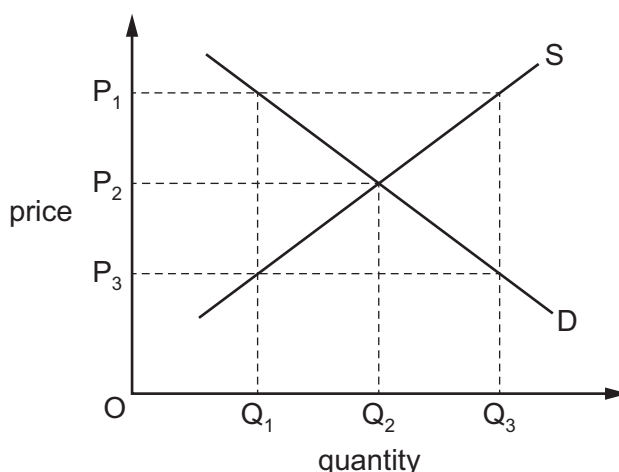


- 12 In a free market in disequilibrium, which combination of price and quantity will lead to a fall in price and a contraction in output to reach equilibrium?



- A**  $P_1Q_1$       **B**  $P_1Q_3$       **C**  $P_3Q_1$       **D**  $P_3Q_3$
- 13 In which set of circumstances will prices **not** be able to perform their function as an allocative mechanism, but may still have a role as a rationing device?
- A** The government sets maximum prices for all goods above their market clearing price.  
**B** The government sets minimum wages for all workers below the market rates of pay.  
**C** The quantities of all goods available to consumers are in fixed supply.  
**D** The total income consumers have available to spend is fixed.
- 14 The table shows, for two different quantities of good X, the total amount consumers are willing to pay and the total external benefits that are generated.

quantity of good X (units)	consumers' willingness to pay (\$)	total external benefits (\$)
3	240	54
4	280	68

What is the additional social benefit when 4 units rather than 3 units are produced?

- A** \$14      **B** \$40      **C** \$54      **D** \$348
- 15 Which statement about the provision of goods is correct?
- A** Governments and private producers supply merit goods.  
**B** Governments and private producers supply public goods.  
**C** Governments are unable to supply private goods.  
**D** Governments subsidise the production of demerit goods.