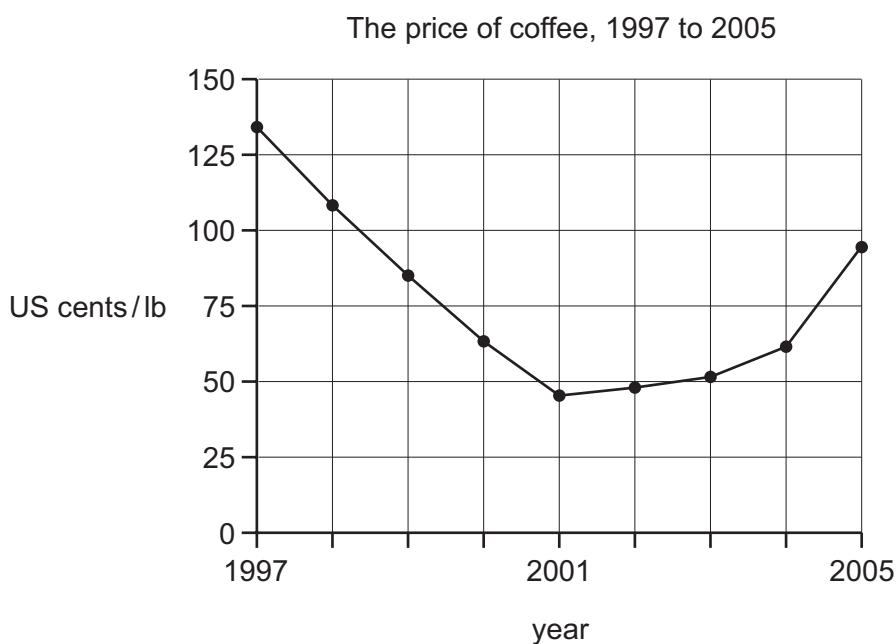


- 12 The diagram shows the average world price of coffee in US cents per pound weight (lb) between 1997 and 2005.



Which event is consistent with the price behaviour shown in the specified time period?

- A a continuous rise in the price of tea between 1997 and 2001
 - B the entry to the market of new producers of coffee between 1997 and 2001
 - C a series of good coffee harvests between 2001 and 2005
 - D increasing health worries about drinking coffee between 2001 and 2005
- 13 What is **not** a function of the price mechanism?
- A to ensure that firms make profits
 - B to permit consumers to express their preferences
 - C to ration scarce resources
 - D to signal where resources are required
- 14 Which statement is correct?
- A External cost equals social cost minus private cost.
 - B Private cost equals external cost minus social cost.
 - C Social cost equals external cost minus private cost.
 - D Social cost equals private cost minus external cost.