



**ST. LAWRENCE HIGH SCHOOL**



**A Jesuit Christian minority Institution**

**Subject: Economics Class- XI**

**Date:08/08/2020**

**Worksheet-29**

**Chapter- Role of the government in the economy**

**Topic- Market failures, price floor, price ceiling, private goods and public goods**

1. Choose the correct alternative. 1x15=15
- a) Any economic system has the problems of i) what to produce and how much to produce ii) how to produce iii) for whom to produce iv) all of the above
  - b) Main function of the government in the economy is i) to secure adjustment in the allocation of resources ii) to secure the adjustment in the distribution of income and wealth iii) to secure economic stabilization iv) all of the above
  - c) Government is required to intervene i) when there is perfect competition ii) market fails to achieve efficient utilization of resources iii) when price is higher than competitive market iv) both (ii) and (iii)
  - d) Government must intervene in i) monopoly market ii) perfectly competitive market iii) both (i) and (ii) iv) none of these
  - e) Government intervention is required i) in case of large investment ii) in case of small investment iii) both (i) and (ii) iv) none of these
  - f) Due to indivisibility of capital when some products can not be produced in small scale then i) private investors come forward to invest ii) government has to come forward iii) market fails iv) both (ii) and (iii)
  - g) Government provides the goods and services like i) durable goods ii) defence iii) law and order iv) both (ii) and (iii)
  - h) Private entrepreneurs are not willing to provide i) social goods ii) perishable goods iii) durable goods iv) none of these
  - i) Government plays important role i) when there is overutilization of common property resources ii) in controlling prices in a perfectly competitive market iii) when there is overutilization of private property iv) none of these

- j) Government should play important role i) during shortage of food grains ii) when private sellers are charging higher prices iii) both (i) and (ii) iv) none of these
- k) Government should intervene i) in monopoly market ii) in distribution of food grains for poor buyers through ration shops iii) in both situations (i) and (ii) iv) none of these
- l) Floor price fixed by government is i) less than equilibrium price ii) greater than equilibrium price iii) equal to equilibrium price iv) none of these
- m) When there are no external effects i) private cost is equal to social cost ii) private cost is greater than social cost iii) social cost is greater than private cost iv) none of these
- n) When there is external diseconomies i) private cost is greater than the social cost ii) social cost greater than the private cost iii) private cost is equal to social cost iv) none of these
- o) Non exclusion principle of public goods refer to the fact i) it is not divisible ii) consumption of public good by one individual does not reduce the amount of public good for the consumption of others iii) even if an individual does not pay for any public good he is not excluded from the consumption of that good iv) none of these

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