2 Which **one** of the following roles is the state most likely to undertake in a mixed economy?

- ☒ **A** Providing subsidies to encourage the production of goods with external benefits
- ☒ **B** Providing subsidies to encourage the production of goods with external costs
- ☒ **C** Imposing a specific tax on the production of public goods
- ☒ **D** Imposing an ad valorem tax on the production of public goods

(Total for Question 2 = 1 mark)

DO NOT WRITE IN THIS AREA