

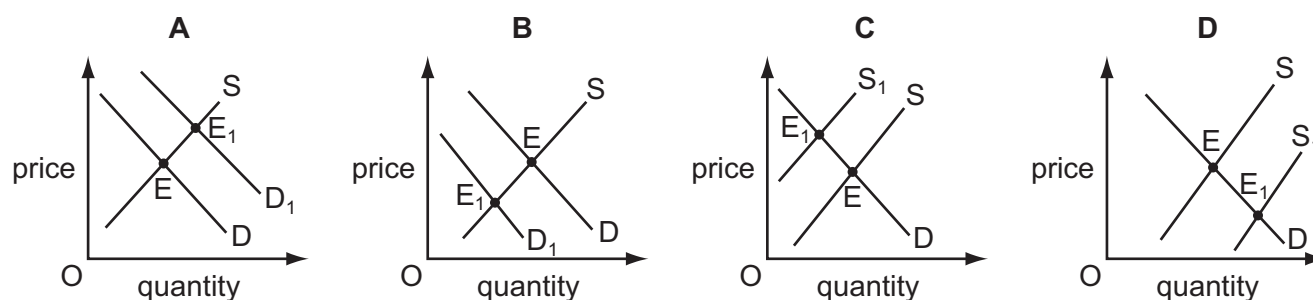
- 14 The table shows some of the costs and benefits at a given level of production of a good.

costs	\$m	benefits	\$m
private	80	private	90
social	200	external	100

What is correct at this level of production?

- A External benefits exceed external costs.
 - B Private benefits exceed external costs.
 - C Private costs exceed social benefits.
 - D Social costs exceed social benefits.
- 15 The consumption of a good generates external benefits. Its market equilibrium is E.

Which diagram shows the change in the equilibrium (E to E₁) necessary to reflect the correct value of the good to society?



- 16 What is an advantage, rather than a disadvantage, of cost-benefit analysis in deciding on a government investment project?
- A Economic agents place different values on external costs and external benefits.
 - B Estimates of external costs and external benefits are included.
 - C Forecasts of future costs and benefits vary over time.
 - D Miscalculations of the costs are financed by the taxpayer.
- 17 What is a distinguishing feature of a public good that is **not** found with private goods?
- A Consumption depends on the ability to pay.
 - B It creates negative externalities.
 - C Its consumption by one consumer can have an effect on other consumers.
 - D Its consumption by one consumer does not restrict consumption by other consumers.