

- 15** The government has to choose the best one of four possible sites to locate a port.

The costs and benefits of each site are shown in \$m in the table.

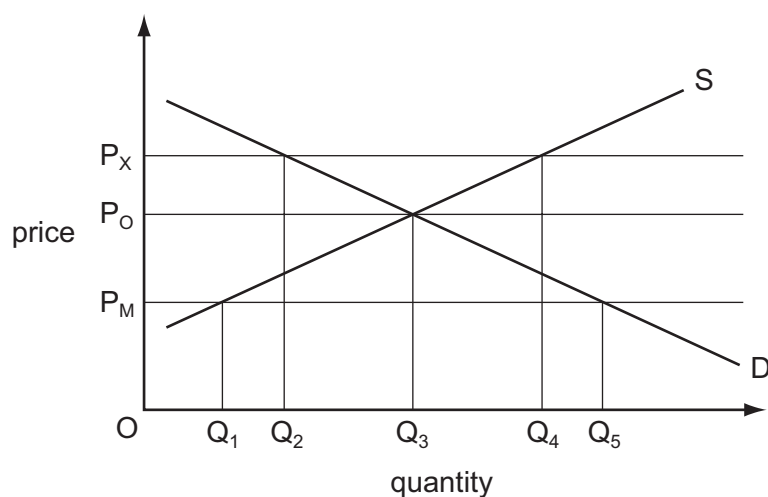
Which site would be chosen?

site	private costs	external costs	private benefits	external benefits
A	10	50	900	600
B	20	5	1 000	800
C	80	40	800	1 100
D	100	200	1 000	900

- 16** Why do governments often subsidise the cost of entrance to museums?

- A** Museums are a pure public good.
- B** Social benefits are less than social costs.
- C** Social benefits exceed private benefits.
- D** Social costs exceed private costs.

- 17** The diagram shows the market for spectacles. Initially the market equilibrium price is P_O and quantity Q_3 is bought and sold.



The government then sets both a maximum spectacle price of P_X and a minimum price of P_M .

What effect will these measures have on the market for spectacles?

- A** create a shortage of spectacles equal to Q_1Q_5
- B** create a surplus of spectacles equal to Q_2Q_4
- C** create a surplus of spectacles equal to Q_3Q_4
- D** leave the quantity bought and sold unchanged