

- 16 The table shows the expected costs and benefits from four government projects. The government can afford only one project.

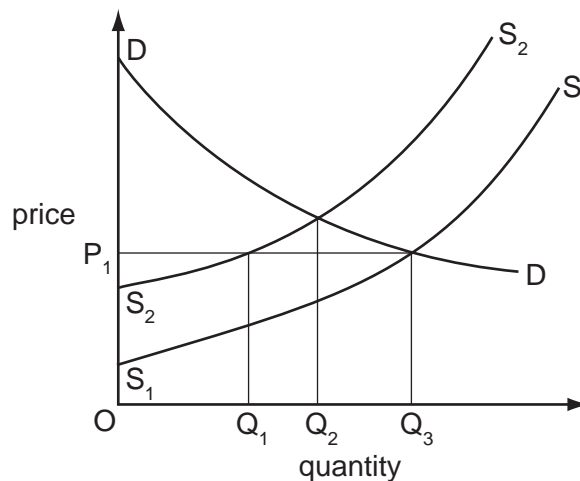
Which project should the government choose?

	private benefits \$m	external benefits \$m	private costs \$m	external costs \$m
<b>A</b>	40	200	60	70
<b>B</b>	60	160	100	20
<b>C</b>	100	210	100	120
<b>D</b>	150	90	120	140

- 17 What will make it more likely that road tolls will reduce traffic congestion?

- A** Cross-elasticity of demand between private and public transport is zero.
- B** Demand for car use is income-elastic.
- C** Demand for car use is price-elastic.
- D** Supply of public transport is price-inelastic.

- 18 In the diagram,  $S_1S_1$  and  $DD$  represent the original supply and demand curves for an agricultural product.



Bad weather then reduces supply to  $S_2S_2$ .

The government does not allow the price to rise above  $OP_1$ .

How much of the product will the government have to supply from stocks if the price is to be maintained at  $OP_1$ ?

- A**  $OQ_3$
- B**  $Q_1Q_3$
- C**  $Q_1Q_2$
- D**  $Q_2Q_3$