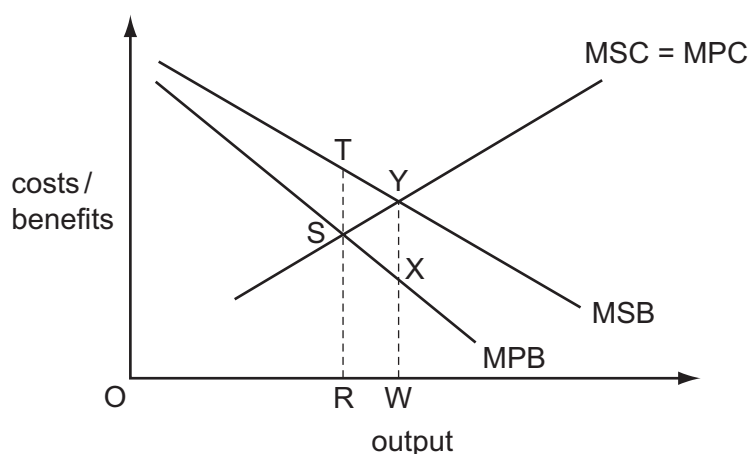


- 14 A government is planning to intervene in a market to fix output at the socially desirable level by giving a subsidy.



To achieve its objective, what should be the subsidy per unit?

- A** ST **B** SX **C** TY **D** XY
- 15 Which statement is correct?
- A** External benefit minus private benefit equals social benefit.
B Private benefit minus external benefit equals social benefit.
C Social benefit minus external benefit equals private benefit.
D Social benefit plus private benefit equals external benefit.
- 16 A government carries out a cost-benefit analysis on the building of a new airport.

It calculates that the cost of constructing and running the airport will be less than the revenue the airport will generate. It also estimates that benefits to third parties will be greater than the cost to third parties.

Which reason might the government give for **not** building this airport?

- A** The external costs exceed the external benefits.
B The net private benefit is greater on another project.
C The net social benefit is greater on another project.
D The social costs exceed the social benefits.