

- 15** 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 |
|----------|-------------------------|--------------------------|----------------------|-----------------------|
| A | 40 | 200 | 60 | 70 |
| B | 60 | 160 | 100 | 20 |
| C | 100 | 210 | 100 | 120 |
| D | 150 | 90 | 120 | 140 |

- 16** What is always a characteristic of a public good?

- A** Consumption of the good by one individual prevents consumption by any other individual.
- B** It confers benefits on consumers that are greater than they themselves realise.
- C** It is supplied by a voluntary organisation.
- D** The benefits it confers on consumers can be extended to others at zero cost.

- 17** Brazil and Colombia attempt to control the supply of coffee in the world market to help stabilise their incomes.

What condition is essential for this to stabilise their incomes effectively?

- A** There must be large firms in the industry.
- B** It must be possible to store the coffee and release stocks when necessary.
- C** Other countries must supply a significant percentage of the total market.
- D** The demand for the product must be elastic.