

- 15 Which consequence of building an underground railway line would be classified as an externality?
- A a reduction in road accidents
  - B the gain in profit for the train operators
  - C the revenue from foreign visitors travelling on the line
  - D the saving in travel time by passengers who travel on the line
- 16 The costs and benefits of building a bridge have been calculated as follows.

	\$ million
building costs	100
disturbance to people nearby	10
time saved by using the bridge	90
less congestion on other routes	30

Which of the following is true?

- A The external cost exceeds the private costs.
  - B The private benefit exceeds the private costs.
  - C The social benefit exceeds the social costs.
  - D The external cost exceeds the external benefits.
- 17 Vandalism and crime have increased in an area of a city following the opening of a night club. As a result, additional police have been sent to patrol the area.
- What does this statement illustrate?
- A a negative externality and a merit good
  - B a negative externality and a public good
  - C a positive externality and a merit good
  - D a positive externality and a public good
- 18 For which one of the following reasons might education be considered a merit good?
- A It benefits both the recipient and society as a whole.
  - B Left to market forces, it would be over-provided.
  - C It does not have a social cost.
  - D Its consumption by one person does not reduce the amount available to others.