

- 14** A government decided to approve a private airport-building scheme because it was socially beneficial. In making its decision it calculated private costs at \$700 m, private benefits at \$800 m and external costs at \$200 m.

What does this suggest must have been true about the external benefits of the scheme?

- A** External benefits equalled private benefits.
  - B** External benefits exceeded \$100 m.
  - C** External benefits exceeded external costs.
  - D** There were no external benefits.
- 15** In cost-benefit analysis the term net social benefit refers to
- A** private benefit plus social benefit.
  - B** social benefit minus private benefit.
  - C** social benefit minus private cost.
  - D** social benefit minus social cost.
- 16** Advances in technology are turning a number of goods which are usually thought of as public goods (for example, television broadcasting and road use) into private goods.

Why might this be so?

- A** Consumer surplus is being increased.
  - B** The costs of production are being reduced.
  - C** It is becoming easier to exclude non-payers.
  - D** The technology is increasing the number of people consuming the goods.
- 17** What is true of merit goods?
- A** Consumers underestimate the benefit they provide.
  - B** The free rider problem restricts their supply.
  - C** Their social cost is greater than their private cost.
  - D** The market system over-provides them.