

- 14** James grows fruit trees in his garden. They attract butterflies and bees.

What is **not** an externality of this situation?

- A** Neighbours may be stung by the bees that pollinate the trees.
  - B** Neighbours may buy fruit more cheaply from James than from the local supermarket.
  - C** Neighbours may enjoy better air quality as the trees naturally improve the atmosphere.
  - D** Neighbours may like to watch the activity of the wildlife at no cost.
- 15** Jaguar-Land Rover launched a car in 2013 that could run on electricity as well as gas (petrol). This would reduce harmful emissions by about 14% compared with the next most efficient car. However, it was more expensive to buy.

What can be concluded if these cars are bought rather than the existing models?

- A** Private benefits and external costs would rise.
  - B** Private costs would rise and external costs would fall.
  - C** Private costs and external costs would fall.
  - D** Social costs would rise.
- 16** A government conducts a cost-benefit analysis into the construction of a new high-speed railway network. The analysis reveals the following information.

	US\$ billion
private benefits	120
external benefits	40
private costs	100

If it is to build the railway network, the government requires that the net social benefit is more than US\$20 billion.

What must the external costs be to satisfy the government?

- A** under US\$40 billion
- B** over US\$40 billion but below US\$60 billion
- C** over US\$60 billion but below US\$160 billion
- D** over US\$160 billion