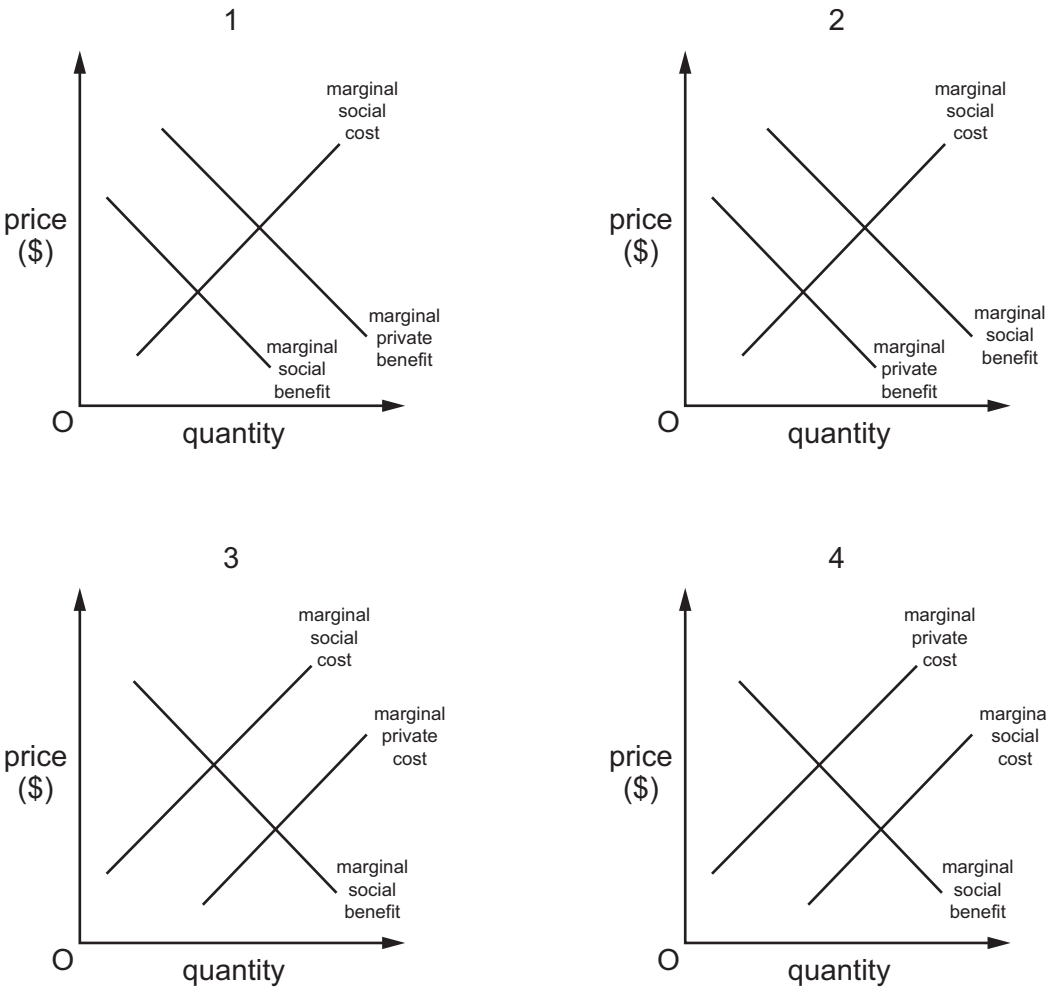


- 13 What is an economic reason why hospitals are often built and funded by the government?
- A Hospitals are a public good.
  - B Hospitals are very expensive to build and run.
  - C Hospitals cannot use price to allocate demand.
  - D Hospital treatments may benefit many apart from those who use them.

14 The diagrams show the costs and benefits in four markets.



Which pair of diagrams show the existence of a positive consumption externality and a negative production externality?

|   | positive<br>consumption<br>externality | negative<br>production<br>externality |
|---|--|---------------------------------------|
| A | 1                                      | 2                                     |
| B | 2                                      | 3                                     |
| C | 3                                      | 4                                     |
| D | 4                                      | 1                                     |