

- 16** One definition of a merit good is that it is one that will be underconsumed because of poor decision making.

Who would usually be responsible for this poor decision making?

- A** the consumers of the good
- B** the dealers who trade the good
- C** the firms producing the good
- D** the government

- 17** A local council charges for the use of tennis courts but not for the use of street lights.

How would an economist explain this?

- A** Tennis courts are a luxury but street lights are a necessity.
- B** Tennis courts are worth more than street lights.
- C** There is an opportunity cost of using land to build tennis courts but not street lights.
- D** The use of street lights cannot be restricted.

- 18** The government is considering building flood defences along a river. It has calculated the costs and benefits as follows.

	costs \$m	benefits \$m
private	450	260
external	60	190

According to cost-benefit analysis, which decision and reasoning about flood defences is correct?

	decision	reasoning
<b>A</b>	build	external benefits are greater than external costs
<b>B</b>	build	social benefits are greater than private benefits
<b>C</b>	do not build	private costs are greater than the external benefits
<b>D</b>	do not build	social costs are greater than the social benefits