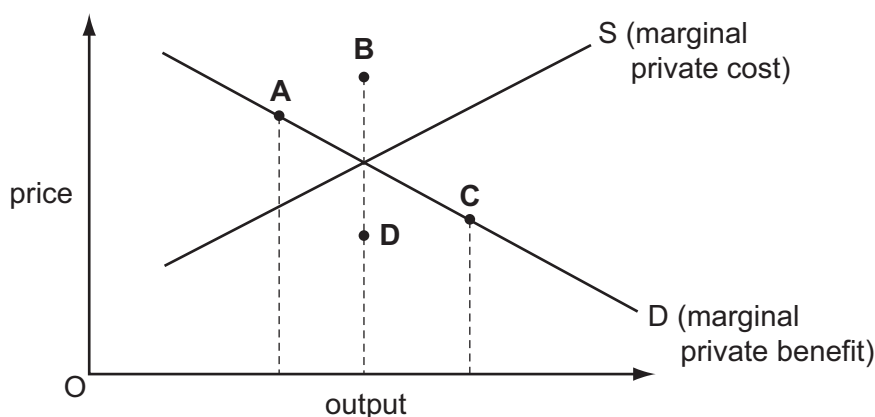


11 What is necessary for consumer surplus to be zero?

- A Demand is perfectly elastic.
- B Demand is perfectly inelastic.
- C Supply is perfectly elastic.
- D Supply is perfectly inelastic.

12 In a free market in equilibrium, the production of the good illustrated below imposes an external cost upon society.

Which letter could represent the total cost of producing the free market equilibrium output?



13 The table shows, for two different quantities of good X, the total amount consumers are willing to pay and the total external benefits that are generated.

quantity of good X (units)	consumers' willingness to pay (\$)	total external benefits (\$)
3	240	54
4	280	68

What is the additional social benefit when 4 units rather than 3 units are produced?

- A \$14
- B \$40
- C \$54
- D \$348

14 What is a merit good?

- A a good that is made available to consumers according to merit
- B a good that the government believes consumers will buy too little of if it is provided by private enterprise at market prices
- C a good where any benefit obtained by one consumer is extended to all consumers
- D a good where the private benefits of consuming the good exceed its social benefits