

14

Market failure

- 1 Which is **not** an example of market failure?
- A air pollution
 - B a supermarket charging high prices because of its monopoly power
 - C car parks in a town centre
 - D congestion caused by the number of cars on the road
- 2 Which is an example of a public good?
- A healthcare
 - B museums
 - C public fireworks display
 - D public playgrounds
- 3 A government decides to build another airport terminal at an existing airport. This will increase air and road traffic around the airport but will also increase trade and tourism and create business and employment opportunities. Which economic concepts are mentioned in the above statements?
- A conservation of resources, economic growth, external benefits
 - B external costs, external benefits, opportunity cost
 - C external costs, opportunity cost, conservation of resources
 - D opportunity cost, occupational mobility of labour, geographical mobility
- 4 Which is **not** a characteristic of a merit good?
- A over-provided
 - B provides social benefits
 - C under-consumed
 - D under-provided
- 5 Which does **not** provide external benefits to society?
- A a local college that provides education and training to increase people's skills and qualifications
 - B a new history museum
 - C a public park
 - D new public housing funded by the government
- 6 Give **two** examples of goods and/or services that are provided by a government because they would otherwise be under-consumed by society. [2 marks]

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7 The development of Macau, a Special Administrative Region of China, as an entertainment centre has brought mass tourism and many job opportunities to the region. The construction of hotels has required reclamation of the sea, a loss of vegetation and areas of natural beauty and a loss of local culture. Explain **two** examples of market failure which have occurred in Macau. [4 marks]

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8 Explain why governments provide public goods. [4 marks]

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9 The construction of the Three Gorges Dam in China cost \$37 billion. It is the world's largest power station. Over 1 million people were relocated because their homes were destroyed during the construction of the dam and many farmers lost their livelihoods (means of earning income) because they lost their land. Discuss the social costs and social benefits of the construction of the Three Gorges Dam. [8 marks]

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10 Students in the USA, Canada and England have to pay to go to university. In Sweden and Scotland, the governments fund university education because of the perceived social benefits.

a Define what is meant by *social benefits*. [2 marks]

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b Explain **two** advantages of charging people for a university education. [4 marks]

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c Discuss whether or not subsidising university education will benefit society. [8 marks]

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