

- 16 The market for good Z is in equilibrium with 1000 units sold at a price of \$10. The government pays a subsidy of \$2 per unit to producers of good Z.

Under which conditions will the total spending by the government on the subsidy be **smallest**?

	price elasticity of demand for good Z	price elasticity of supply for good Z
A	< 1	< 1
B	< 1	> 1
C	> 1	< 1
D	> 1	> 1

- 17 If an industry is currently state-owned and state-run, what does **not** represent a reason for it being privatised?

- A** Decisions will no longer be taken with political considerations in mind.
- B** The benefits of merit goods will be taken into account in decision-making.
- C** Its owners would have more incentive to make it operate profitably.
- D** There will be greater incentives for managers to introduce modern technology.

- 18 What does the incidence of an indirect tax on a product refer to?

- A** the proportion of the tax paid by the consumer relative to the producer
- B** the reduction in output as a result of the imposition of the tax
- C** the revenue the tax generates for the government
- D** the increase in the hidden economy as a result of tax evasion after the tax is imposed