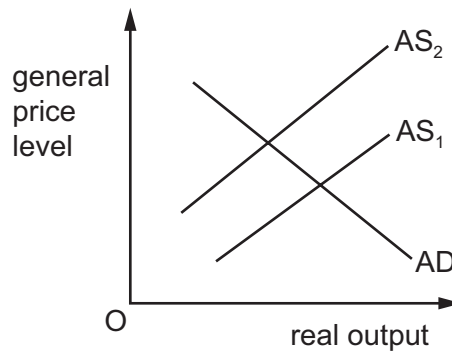


- 26** The diagram shows the aggregate demand (AD) and aggregate supply (AS) for an economy.



Which changes in subsidies and indirect taxes would have caused the change in AS shown?

- A** higher subsidies and higher indirect taxes
 - B** higher subsidies and lower indirect taxes
 - C** lower subsidies and higher indirect taxes
 - D** lower subsidies and lower indirect taxes
- 27** In its recent budget a government increased defence expenditure and also the amount spent on training that increased the productivity of the workforce. The initial equilibrium point is shown by X on the aggregate demand (AD) and aggregate supply (AS) diagram.

What would be the equilibrium point after these changes?

