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