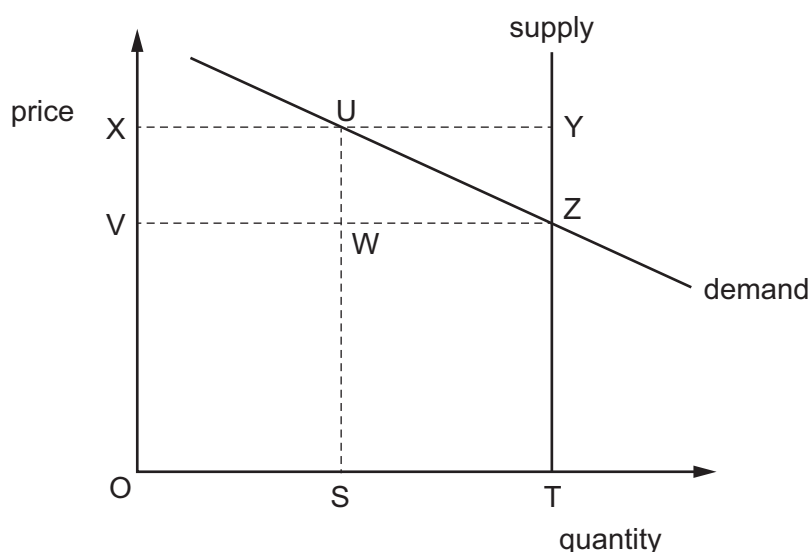


- 15** What is an accurate statement about a production subsidy?
- A** It causes demand for the good to increase so the demand curve shifts to the right.
  - B** It enables firms to supply more so the supply curve shifts to the left.
  - C** It is financial assistance to firms from the government to help increase output.
  - D** It is money taken from firms by the government to reduce harmful side effects of production.
- 16** The diagram shows the market supply and demand curves for an agricultural product. The government guarantees producers a price of at least OX for their output, but allows the market price to be freely determined by demand and supply.



Which area in the diagram represents the total subsidy payments made by the government to producers?

- A** UYTS
  - B** UYZW
  - C** XUWV
  - D** XYZV
- 17** How will transfer payments to low-income families, funded by a mix of direct taxation and indirect taxation, affect the total level of consumption?
- A** The change in the level will be uncertain.
  - B** The level will fall.
  - C** The level will remain unchanged.
  - D** The level will rise.