

- 15** What would be a valid objection to the government provision of goods and services?
- A** There will be an increase in consumer sovereignty.
 - B** Only the private sector can provide merit goods.
 - C** Tax rates and tax income are likely to fall.
 - D** Investment in the private sector might be reduced.
- 16** What will be the result of a subsidy that is given to the producers of a good with an inelastic demand curve?
- A** The equilibrium price of the good will fall by a larger percentage than the fall in equilibrium quantity.
 - B** The equilibrium price of the good will fall by a larger percentage than the rise in equilibrium quantity.
 - C** The equilibrium price of the good will fall by a smaller percentage than the fall in equilibrium quantity.
 - D** The equilibrium price of the good will fall by a smaller percentage than the rise in equilibrium quantity.
- 17** The market for good X is in equilibrium. A government then introduces an effective minimum price on good X.
- What will decrease as a result of this minimum price?
- A** the excess supply of the product
 - B** the market price of the product
 - C** the quantity of the product supplied
 - D** the size of the consumer surplus
- 18** A government introduces taxes on company profits. A 5% tax rate is levied on all profits up to the first \$10 000 and a 10% rate is levied on all profits above \$10 000.

How would these taxes be described?

| | up to \$10 000 | above \$10 000 |
|----------|----------------|----------------|
| A | progressive | progressive |
| B | progressive | proportional |
| C | proportional | progressive |
| D | proportional | proportional |