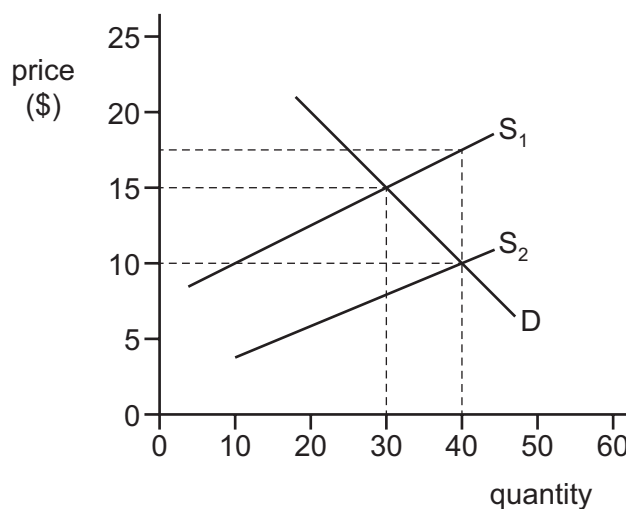


- 15 The diagram shows the effect on the market for a product of the introduction of a government subsidy.



What is the result of the payment of the subsidy?

- A Consumer surplus increases.
  - B The price to the consumer halves.
  - C The subsidy provides over half of producer income.
  - D Total consumer expenditure on the product increases.
- 16 Why are the pensions paid to retired citizens an example of a transfer payment?
- A Retired citizens pay no tax on their pensions.
  - B Retired citizens produce no output for their pensions.
  - C Retired citizens save some of their pensions.
  - D Retired citizens spend all of their pensions.
- 17 What is definitely a feature of a nationalised industry?
- A Consumers are not charged a price for its product.
  - B No profit is made from supplying its product.
  - C The government owns the industry's capital.
  - D There is no competition in the market for its product.