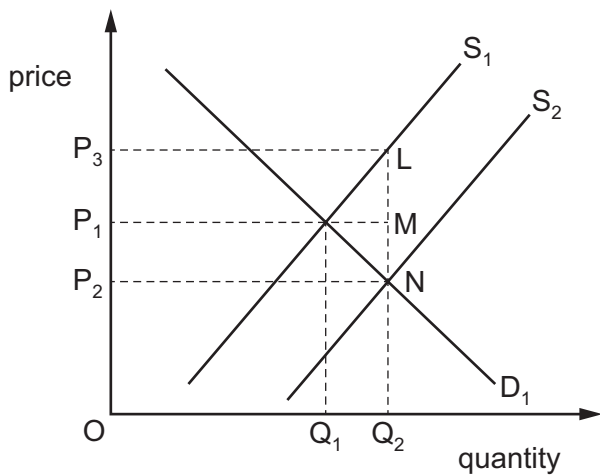


16 The diagram shows the equilibrium price,  $P_1$ , and quantity bought and sold,  $Q_1$ , in a market before a subsidy is granted.



What represents the producer incidence (benefit) after the subsidy is granted and what is government expenditure on the subsidy?

	producer incidence (benefit)	government expenditure
A	$P_1P_2NM$	$P_1P_2NM$
B	$P_1P_2NM$	$P_3P_2NL$
C	$P_1P_3LM$	$P_1P_3LM$
D	$P_1P_3LM$	$P_3P_2NL$

17 When is a transfer payment most likely to be an individual’s main source of income?

- A when employed
- B when investing
- C when saving
- D when unemployed

18 Which argument is used to justify a policy of nationalisation?

- A A firm exposed to market forces is more likely to be efficient.
- B It avoids the wasteful duplication of resources.
- C The stock market can exert effective discipline on the industry.
- D There are benefits from wider share ownership.