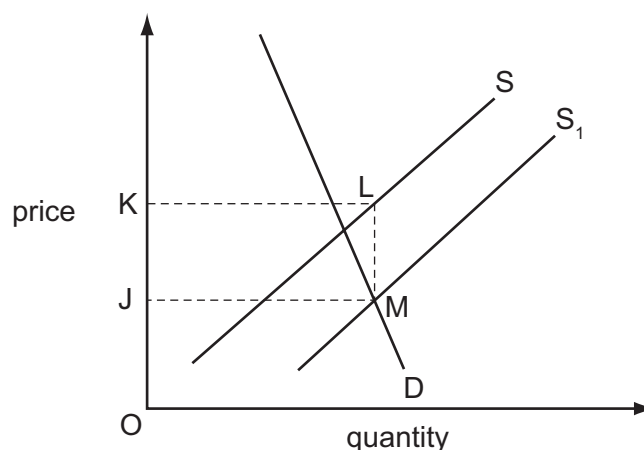


- 12 The diagram shows the effect on the market for rice of a change in government policy that causes a shift in the supply curve from S to S_1 .



What does the area JKLM represent?

- A the additional saving to importers of the removal of a tariff on rice
 - B the cost to the government of a subsidy to rice growers
 - C the increase in consumer surplus from the introduction of a maximum price for rice
 - D the loss in government revenue from the reduction in a lump sum tax on rice
- 13 What is necessary for consumer surplus to be zero?
- A Demand is perfectly elastic.
 - B Demand is perfectly inelastic.
 - C Supply is perfectly elastic.
 - D Supply is perfectly inelastic.
- 14 In a free market in equilibrium, the production of the good illustrated below imposes an external cost upon society.

Which letter could represent the total cost of producing the free market equilibrium output?

