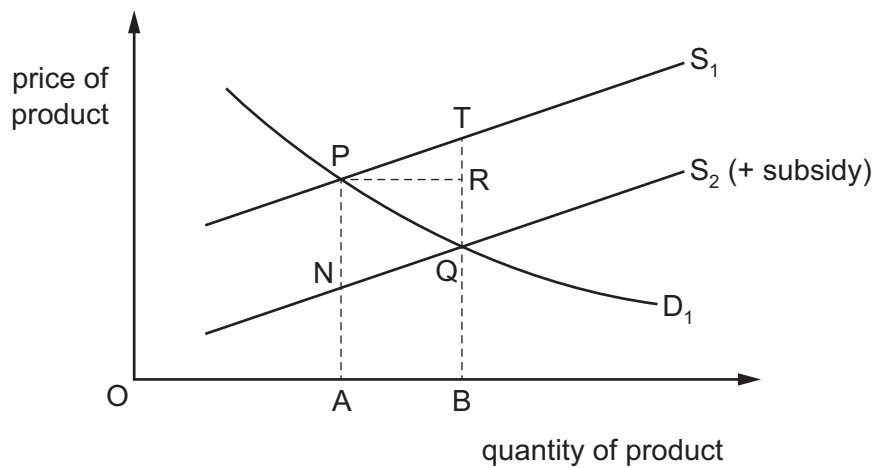


- 15 The initial market for a product is represented by the demand and supply curves D_1 and S_1 respectively. A subsidy is then introduced, represented by the shift of S_1 to S_2 (+ subsidy).



What is the incidence of the subsidy for the consumer and producer?

	consumer	producer
A	PN	NA
B	QR	TR
C	QT	QB
D	TR	QR

- 16 What is the most likely purpose of a government making transfer payments, such as social security benefits, to unemployed workers?
- A** to encourage a change in income distribution
 - B** to increase the government’s revenue
 - C** to keep the principles of a free market economy
 - D** to let all citizens enjoy identical living standards