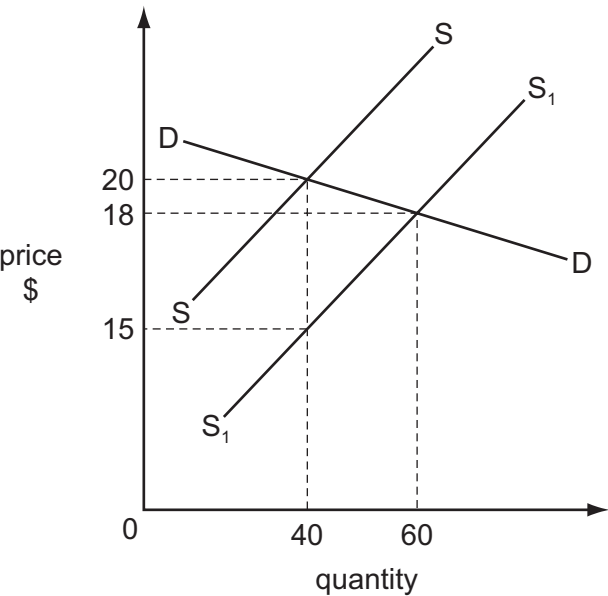


16 A tax on a product is removed causing supply to increase from SS to S₁S₁ as shown in the diagram.



What effect does the move have on government tax revenue and consumer expenditure?

| | tax revenue | consumer expenditure |
|---|-----------------|----------------------|
| A | reduce by \$80 | increase by \$280 |
| B | reduce by \$80 | increase by \$480 |
| C | reduce by \$200 | increase by \$280 |
| D | reduce by \$200 | increase by \$480 |

17 Which type of government intervention runs the risk of causing shortages?

- A maximum price controls
- B specific indirect taxes
- C subsidies paid to some producers
- D taxes on company profits