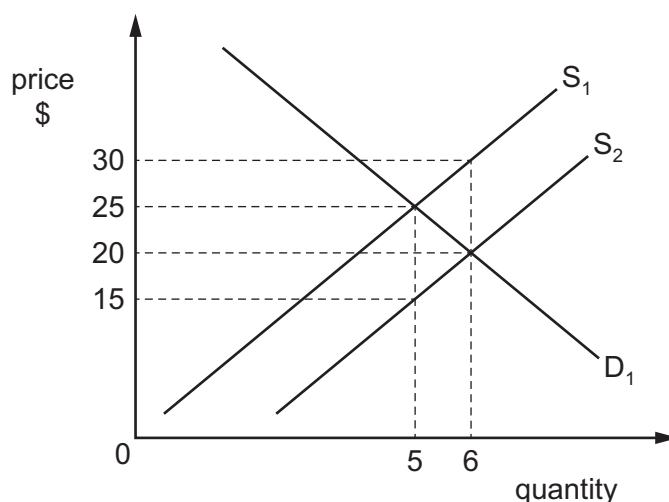


- 15 The diagram shows the original demand curve  $D_1$  and original supply curve  $S_1$  for a good.



The government introduces a subsidy.

What will be the total consumer spending after the introduction of the subsidy?

- A** \$75      **B** \$120      **C** \$125      **D** \$180

- 16 Which is a transfer payment?

- A** dividends paid to private shareholders
- B** income paid to civil servants
- C** pensions paid to retired people
- D** rent paid to landlords

- 17 A flood-control dam is an example of a good provided directly by a government.

Which statement relating to the direct provision of a flood-control dam is **not** correct?

- A** Direct provision of a flood-control dam allows the government to tackle the failure to provide public goods.
- B** Direct provision of a flood-control dam forces the government to incur an opportunity cost.
- C** Direct provision of a flood-control dam involves the supply of a merit good.
- D** Direct provision of a flood-control dam is an example of government allocation of resources.