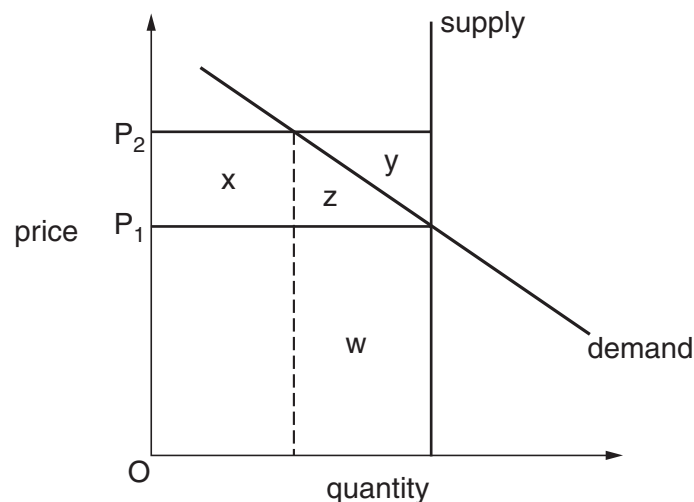


- 15 An Environment Agency requires companies to introduce more expensive but environmentally cleaner methods of production.

What effect will this have on the private, external and social costs of production?

	private costs	external costs	social costs
A	increase	decrease	decrease
B	increase	decrease	uncertain
C	decrease	increase	uncertain
D	decrease	increase	decrease

- 16 The diagram shows the market supply and demand curves for a particular agricultural product. The government allows the market price paid by consumers to be freely determined by demand and supply, but guarantees producers a price of OP_2 .



Which area in the diagram represents the total subsidy payments made by the government to producers?

- A** $w + y + z$
- B** $y + z$
- C** x
- D** $x + y + z$