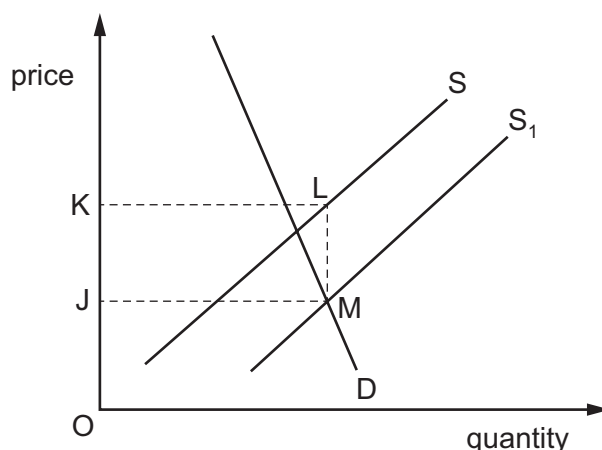


- 14 The diagram shows the effect on the market for rice of a change in government policy that causes a shift in the supply curve from  $S$  to  $S_1$ .



What does the area JKLM represent?

- A the cost to the government of a subsidy to rice growers
  - B the extra saving to importers of the removal of a tariff on rice
  - 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
- 15 Which statement is **not** an argument in support of the process of privatisation?
- A Private companies are motivated to make the best use of their resources.
  - B Privatisation allows more firms to enter an industry, increasing competition in the market.
  - C Privatisation can create companies that exploit the consumer.
  - D Selling state-owned assets to the private sector raises significant revenue for the government.
- 16 Governments are trying to reduce the burden of transfer payments in economies with an ageing population.

Which policy would help to achieve this aim?

- A introducing financial support for university students
- B linking pension increases to the consumer price index during inflation
- C raising the retirement age
- D reducing state pensions to finance an equal rise in unemployment benefit