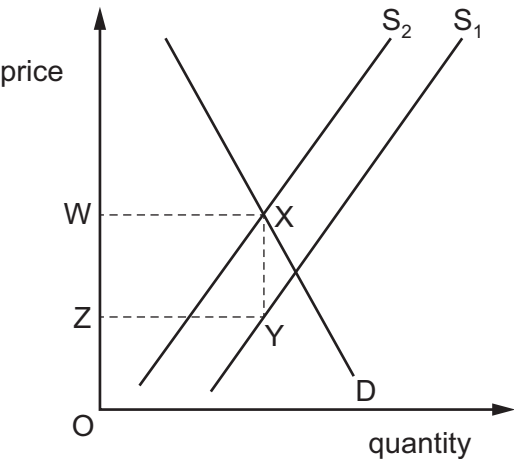


15 The diagram illustrates the effect of a government action that shifts  $S_1$  to  $S_2$ .



What does the area of the rectangle WXYZ represent?

- A the consumer tax burden
  - B the government tax revenue
  - C the government subsidy payment
  - D the producer subsidy income
- 16 The table shows the demand and supply schedules for a product before and after the government pays a subsidy of \$4 per unit to the producers.

price (\$)	quantity demanded (units)	quantity supplied before subsidy (units)	quantity supplied after subsidy (units)
6	140	60	100
8	120	80	120
10	100	100	140
12	80	120	160
14	60	140	180

What is the total government spending on the subsidy?

- A \$240
  - B \$400
  - C \$480
  - D \$960
- 17 Which government transaction is a transfer payment?
- A a fee paid for a service supplied by government
  - B a payment to a private firm for goods supplied to the government
  - C a pension paid to a former government employee
  - D a salary payment to a government tax official