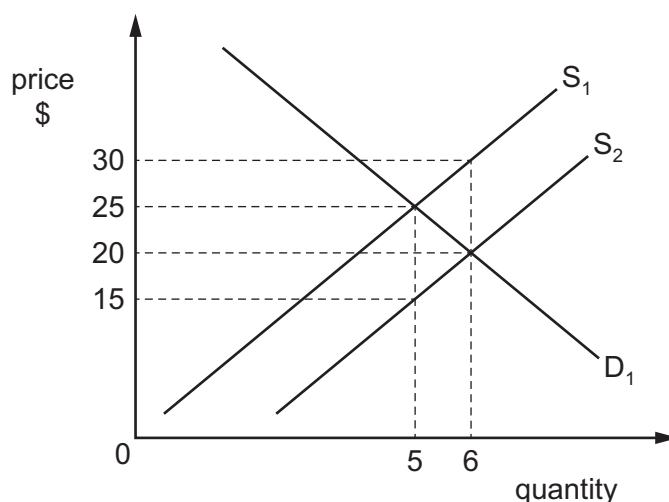


- 15 The diagram shows the original demand curve D_1 and original supply curve S_1 for a good.



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.