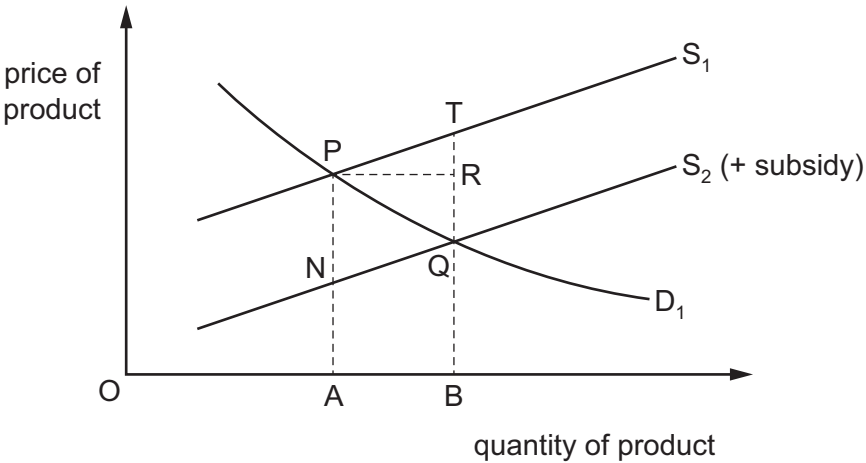


- 15 The initial market for a product is represented by the demand and supply curves  $D_1$  and  $S_1$  respectively. A subsidy is then introduced, represented by the shift of  $S_1$  to  $S_2$  (+ subsidy).



What is the incidence of the subsidy for the consumer and producer?

	consumer	producer
<b>A</b>	PN	NA
<b>B</b>	QR	TR
<b>C</b>	QT	QB
<b>D</b>	TR	QR

- 16 What is the most likely purpose of a government making transfer payments, such as social security benefits, to unemployed workers?
- A** to encourage a change in income distribution
  - B** to increase the government’s revenue
  - C** to keep the principles of a free market economy
  - D** to let all citizens enjoy identical living standards