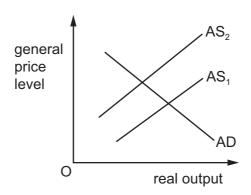
26 The diagram shows the aggregate demand (AD) and aggregate supply (AS) for an economy.



Which changes in subsidies and indirect taxes would have caused the change in AS shown?

- A higher subsidies and higher indirect taxes
- **B** higher subsidies and lower indirect taxes
- **C** lower subsidies and higher indirect taxes
- **D** lower subsidies and lower indirect taxes
- 27 In its recent budget a government increased defence expenditure and also the amount spent on training that increased the productivity of the workforce. The initial equilibrium point is shown by X on the aggregate demand (AD) and aggregate supply (AS) diagram.

What would be the equilibrium point after these changes?

