

15. Correct. The answer is true. Note in the diagram that one way to analyze a subsidy is to add it to the demand price. The supplier then get the demand price $P_d +$ the subsidy of sb . The subsidy usually makes production more attractive to suppliers, since it usually raises supply price. However, since demanders usually have to pay a lower price than suppliers receive, it also enhances the coal's competitiveness and increases the sales for the Navajo nation's low-grade coal. Alternatively, you can subtract the subsidy from supply. Where the new curve crosses the demand is the demand price and quantity. You can read the supply price off of the old supply curve.

