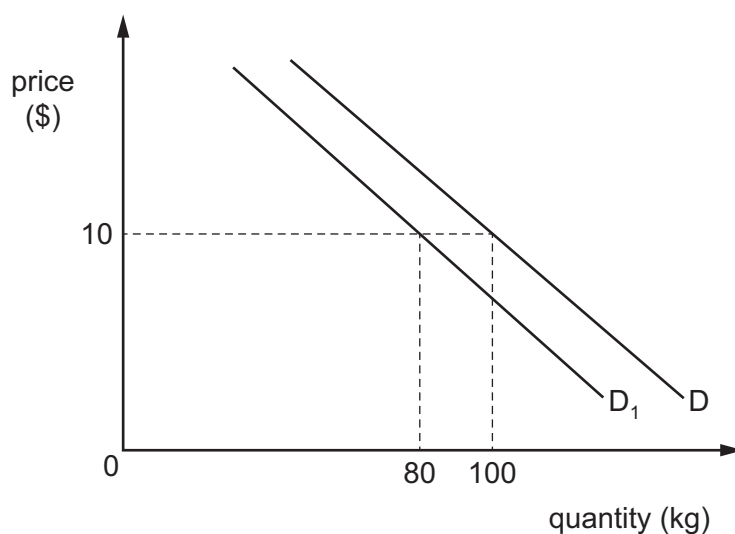


- 13 The diagram shows how a 10% increase in consumer incomes shifts the demand for good X from D to  $D_1$ .



Which statement about good X is correct?

- A It is a normal good with income elastic demand.
  - B It is a normal good with income inelastic demand.
  - C It is an inferior good with income elastic demand.
  - D It is an inferior good with income inelastic demand.
- 14 What is an example of privatisation?
- A the sale on the market of a French state-owned power-generation company
  - B the sale of a privately-owned water company to a German firm
  - C the takeover of a French car manufacturer by the French government
  - D the purchase of a Swedish pharmaceutical producer by a larger American pharmaceutical producer
- 15 What did Adam Smith mean by 'economy' when describing his canons of taxation?
- A The cost of collecting the tax should be low.
  - B The tax should be easy to pay.
  - C The tax should have a neutral effect on the use of resources.
  - D The tax should have a positive effect on aggregate supply.