

- 7 When the incomes of consumers of good X fall by 5%, under which conditions will the demand curve shift furthest to the right?

	nature of good X	income elasticity of demand for good X
<b>A</b>	inferior good	-0.8
<b>B</b>	inferior good	-1.2
<b>C</b>	normal good	+0.9
<b>D</b>	normal good	+1.5

- 8 Good P and good Q are substitutes. There is a decrease in supply of good P because of a shortage of materials.

Which row describes what will happen to demand?

	good P	good Q
<b>A</b>	contraction	extension
<b>B</b>	contraction	shift to right
<b>C</b>	shift to left	shift to left
<b>D</b>	shift to left	shift to right

- 9 The pressure to reduce the use of fossil fuels has led to oil companies reducing the level of investment in the exploration of new reserves.

What will be the long-run effect of such a policy on the market for oil?

	market change	price change
<b>A</b>	upward movement along the demand curve	price decreases
<b>B</b>	downward movement along the demand curve	price increases
<b>C</b>	supply shifts to the left	price increases
<b>D</b>	supply shifts to the left	price decreases