

12 When the price of good X rises, total spending on good X rises, but the demand for good Y falls.

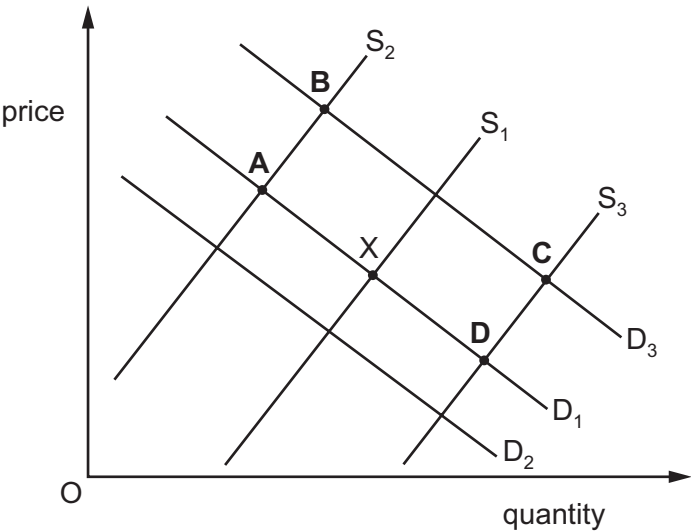
What can be concluded about good X and good Y?

	price elasticity of demand for good X	cross-elasticity of demand for good Y with respect to the price of good X
A	> 1	> 0
B	> 1	< 0
C	< 1	> 0
D	< 1	< 0

13 In the diagram, D_1 and S_1 represent the demand for and supply of luxury watches. Equilibrium is initially at point X.

The cost of raw materials for manufacturing watches rises. At the same time, the incomes of the rich increase.

Which point on the diagram is **most** likely to represent the new equilibrium?



14 Money is paid by the government to an unemployed worker in the form of a benefit.

Why is this called a transfer payment?

A The payment comes from taxes paid by employed workers.

B The payment comes from government savings, not current income.

C The payment is made without the production of goods and services taking place.

D The payment must be spent as directed by the government.