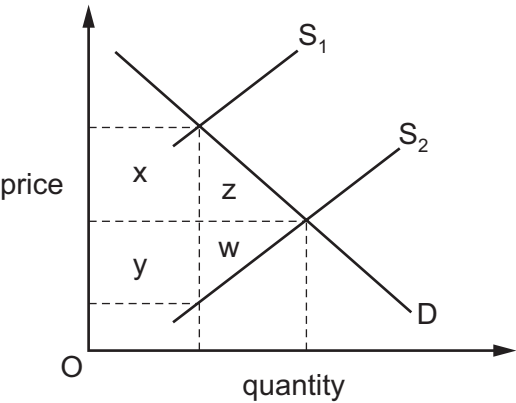


13 In the diagram, D is the demand curve for Indian tea exports and S<sub>1</sub> is the initial supply curve.



The Indian government removes the tax on tea exports, which causes the supply curve to shift to S<sub>2</sub>.

Which areas in the diagram measure the resulting loss in tax revenue to the Indian government and the resulting gain in consumer surplus?

	loss in tax revenue	gain in consumer surplus
A	x	w + y
B	x	y
C	x + y	z
D	x + y	z + x

14 In a country, the standard rate of sales tax is 10%, but food is not taxed and luxury goods are taxed at 20%. The table shows the patterns of expenditure of three family types.

commodity group	family type by income		
	low	medium	high
food	50%	40%	30%
standard-rated goods	40%	30%	20%
luxury goods	10%	30%	50%

Which combination correctly describes the sales taxes in this country?

	tax on standard-rated goods	tax on luxury goods	tax on all goods
A	progressive	regressive	progressive
B	progressive	regressive	regressive
C	regressive	progressive	regressive
D	regressive	progressive	progressive