

14 A nationalised industry is privatised.

Assuming there is no change in the output of the industry in the short run, what are the direct effects of the change?

| | size of public sector | proportion of industry output entering the market |
|----------|-----------------------|---|
| A | decreases | increases |
| B | decreases | no change |
| C | no change | increases |
| D | no change | no change |

15 What is a distinguishing feature of a progressive income tax?

- A** High earners pay a higher proportion of their income in tax than low earners.
- B** High earners pay a lower proportion of their income in tax than low earners.
- C** High earners pay the same proportion of their income in tax as low earners.
- D** Low earners pay more tax than high earners.

16 Why might a government nationalise a private firm?

- A** to gain greater efficiency due to more competition
- B** to increase merit good provision
- C** to increase choice for the consumer
- D** to raise more tax revenue