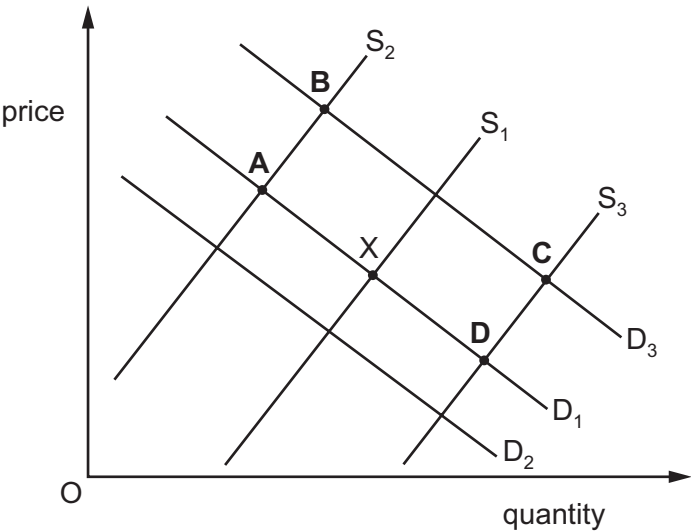


- 12 When the price of good X rises, total spending on good X rises, but the demand for good Y falls.
- What can be concluded about good X and good Y?

	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.