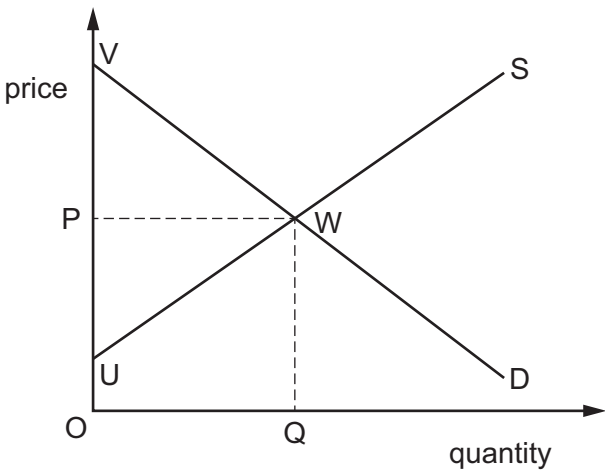


- 10** Butter is a normal good. It is in joint demand with bread and in joint supply with buttermilk. The demand for butter increases because of a rise in consumer incomes.

What are the effects of this increase on the prices of bread and buttermilk?

| | price of bread | price of buttermilk |
|----------|----------------|---------------------|
| A | decreases | decreases |
| B | decreases | increases |
| C | increases | decreases |
| D | increases | increases |

- 11** The diagram shows a competitive market in equilibrium with price P and quantity Q sold.



Which area represents the producer surplus?

- A** PWU **B** PVW **C** OUWQ **D** OPWQ
- 12** A policy that aims to reduce the degree of inequality of income will also reduce the level of employment in a country.

What is most likely to be such a policy?

- A** The effective minimum wage is increased by 25%.
- B** The rate of income tax paid by the lowest band of earners is reduced.
- C** The government increases the level of subsidies given to producers of some merit goods.
- D** The government provides more goods that are regarded as essential.