

15 The income tax structure of a country has two elements.

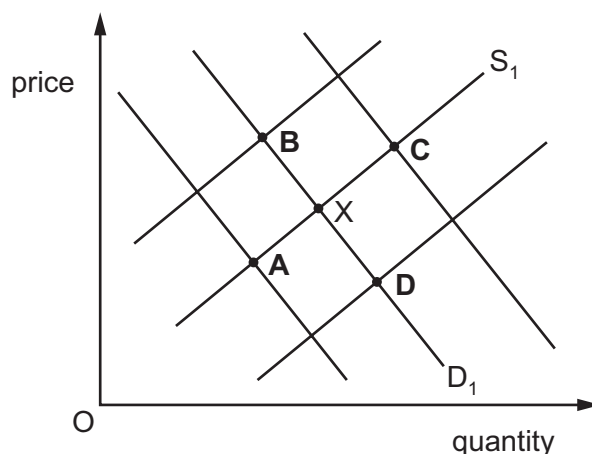
- 1 The first \$20 000 of earned income is not taxed.
- 2 Any income earned above \$20 000 is taxed at 20%.

What would be a correct description of this tax structure?

- A a progressive tax on incomes of more than \$20 000
- B a progressive tax throughout the whole income range
- C a proportional tax on incomes of more than \$20 000
- D a regressive tax throughout the whole income range

16 In 2014 Egypt reduced subsidies on fossil fuels such as gasoline and diesel. The diagram shows the initial equilibrium at point X.

What will be the new equilibrium after the reduction of subsidies?



17 What is an aim of a transfer payment?

- A It allows the government to alter the final distribution of income.
- B It provides a ceiling for levels of income across the economy.
- C It removes the need for state subsidies.
- D It rewards the activity of a factor of production.

18 There have been recent calls for the UK government to nationalise its railways.

What would **not** be a reason for nationalising the railways?

- A Private rail companies often charge high ticket prices.
- B Private rail companies may exploit monopoly power.
- C Railways are an essential part of national infrastructure.
- D Railways should be treated as a public good.