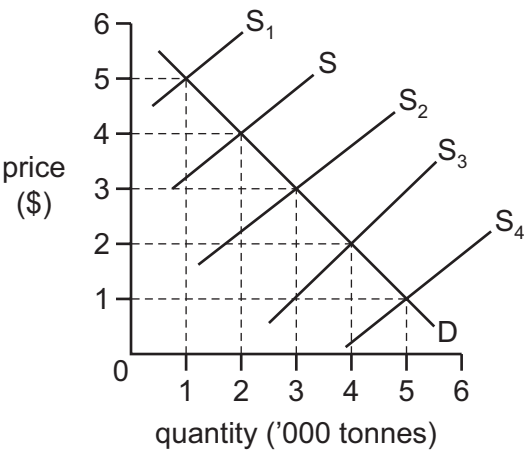


- 18** In the diagram, D is the demand curve of an agricultural commodity and S is the initial supply curve.

The government promises to maintain farmers' incomes at least at this initial level. The harvests in four subsequent years are shown by supply curves $S_1 - S_4$.



In which years will the government need to provide extra income to farmers?

- A** 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4
- 19** The table shows the costs of producing a unit of food and a unit of clothing in countries X and Y, expressed in the currency of each country.

country	food	clothing
X	\$2	\$4
Y	£1	£1

The exchange rate is fixed at £1 = \$3.

What level of transport cost per unit of each commodity would exactly eliminate the benefits of trade?

- A** £0.33 **B** £0.50 **C** £1.00 **D** £1.50
- 20** What is the most likely aim of a government that increases the level of tariffs on imported manufactured goods?
- A** a fall in interest rates
- B** a fall in the exchange rate
- C** a rise in domestic employment
- D** a rise in the general price level