18 The market for good X is in equilibrium. The government introduces a subsidy to the producers of good X.

Under which conditions will the total expenditure by the government on the subsidy be the greatest?

	price elasticity of demand for good X	price elasticity of supply for good X
Α	<1	<1
В	<1	>1
С	>1	<1
D	>1	>1

19 Under which combination of circumstances will a policy of increasing the money supply be **most** effective at moving an economy out of recession?

	circumstance one	circumstance two
Α	depreciating exchange rate	global financial crisis
В	high nominal interest rates	appreciating exchange rate
С	low aggregate demand	inflation rate above the target level
D	low nominal interest rates	no spare capacity available

- 20 In which economic context is the term 'protectionism' usually applied?
 - **A** the protection of consumers against excessive prices
 - **B** the protection of employees against exploitation by multinational companies
 - **C** the protection of local producers against foreign competitors
 - **D** the protection of the foreign exchange rate against currency speculators
- 21 What is most likely to cause a rise in a country's exchange rate?
 - A a fall in its direct taxes
 - **B** a fall in its export orders
 - C a rise in its interest rates
 - **D** a rise in its imports