

- 26** Countries X and Y produce the world supply of computers and wheat. Each country divides its resources equally between the two products and produces the following.

	computers units	wheat units
X	2000	1400
Y	1000	200

How would total output be altered if each country specialised completely in the product in which it has a comparative advantage?

	computers units	wheat units
A	–1000	+1200
B	–1000	+1600
C	+1000	+400
D	+1000	+1600

- 27** Why might a government decide to increase the quota set on imports?
- A** to cut a deficit on the trade balance in goods and services
 - B** to encourage diversification in home industry
 - C** to lower domestic unemployment
 - D** to raise the level of international trade
- 28** What can be considered an expansionary supply-side policy?
- A** an increase in government expenditure on training
 - B** an increase in sales tax
 - C** an increase in the rate of interest
 - D** an increase (revaluation) of the exchange rate
- 29** In an attempt to correct a balance of trade deficit, the government of Indonesia has decided to employ expenditure-dampening methods.

Which policy would best fit this description?

- A** introducing quotas on imported goods
- B** raising income tax rates
- C** subsidising home-produced goods
- D** taxing imported goods