19 What will be the immediate effect of the removal of tariffs on imported consumer goods?

A a decrease in the cost of living

B a decrease in free trade

C an increase in customs revenues received by the government

D an increase in the level of domestic employment

20 A group of countries introduce a single common currency to replace their national currencies.

What will result from this policy?

A easier price comparisons between countries

B higher transaction costs

C increased interest rate differentials

D identical prices in all countries

21 When is an economy likely to experience a deterioration in its terms of trade?

A when demand for its exports increases

B when the trade weighted value of its currency depreciates

C when the interest rate is increased

D when there is a fall in the average price of its imports

22 Country X has a comparative advantage in producing wheat and country Y in producing cars. However, the countries choose not to specialise and trade.

What is a valid reason for this behaviour?

A The exchange rate lies within the countries' opportunity cost ratios.

B There is immobility of factors of production between the countries.

C Trade is based on absolute rather than comparative advantage.

D Transport costs are high relative to the opportunity cost differences between the countries.

23 What will cause an immediate rise in the size of a country's labour force?

A an increase in the birth rate

B an increase in the age of retirement

C an increase in the school leaving age

D an increase in the number of redundancies