

- 26** The table shows different possible outputs of apples and bananas for Country X and Country Y assuming only two goods are produced and all resources are used to their maximum.

	apples		bananas
Country X	100	or	80
Country Y	50	or	25

Country Y decides to specialise in the production of the good in which it has a comparative advantage.

Country X decides to use 75% of its resources to produce the good in which it has a comparative advantage and 25% of its resources to produce the other good.

What will be the total output?

	apples	bananas
<b>A</b>	50	80
<b>B</b>	75	45
<b>C</b>	75	60
<b>D</b>	150	120

- 27** An economy with a long history of extensive barriers to trade decides to switch to totally free trade.

What is most likely to increase in the short term?

- A** consumer surplus
- B** government revenue
- C** inflationary pressure
- D** profits of all domestic companies

- 28** Which action might be part of an expansionary economic policy?

- A** a lower budget deficit
- B** a lower level of government spending
- C** a lower money supply
- D** a lower rate of interest