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
A	<1	<1
B	<1	>1
C	>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
A	depreciating exchange rate	global financial crisis
B	high nominal interest rates	appreciating exchange rate
C	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