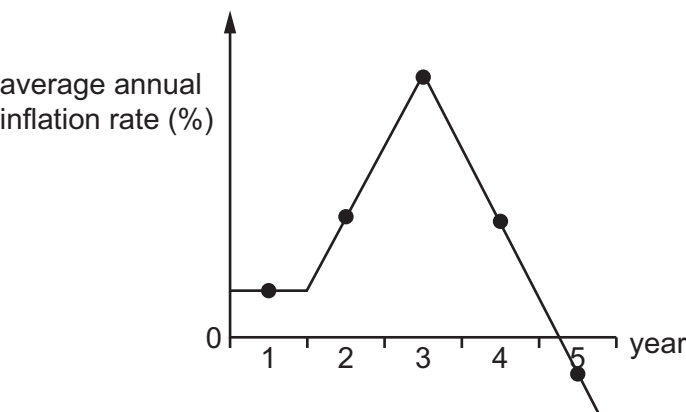


- 18 Which statement about the circular flow of income is correct?
- A Exports and imports do not affect the equilibrium level of national income because they always cancel each other out.
  - B The greater the level of saving, the greater the level of injections in the form of investment must be.
  - C When consumers use past savings to increase their spending, there will be a rise in national income.
  - D When a government increases withdrawals by increasing the rate of income tax, there must be an equivalent increase in injections to compensate.

- 19 The graph shows a country’s average annual inflation rate over a five-year period.



What can be concluded about the general price level during the five years?

- A It fell in only one year.
  - B It fell in only two years.
  - C It rose in only two years.
  - D It was constant in only one year.
- 20 In an economy, wages and prices are both rising but wages are rising faster.
- Which features are likely to exist in this economy?

	cost-push inflation	rise in real incomes
A	no	no
B	no	yes
C	yes	no
D	yes	yes