

- 22 A sudden rise in the price of imported oil caused the annual rate of inflation in a given period to be higher than expected.

What might be a likely result of this?

- A Borrowers would gain.
 - B Real wages would rise.
 - C The balance of trade would improve.
 - D Unemployment would fall.
- 23 What may increase the benefits a country gains from international trade?
- A a reduction in transportation costs because of a fall in world oil prices
 - B domestic wage rates increase at a faster rate than output per worker
 - C the domestic labour force becomes more occupationally immobile
 - D trading partners increase tariffs on imported goods
- 24 The world trade price of cars in country Y is US\$10 000. At this price domestic car producers supply 100 000 cars to the market and domestic consumers purchase 200 000 cars. The government of country Y imposes a 10% tariff on imported cars.

Under which conditions will this tariff raise the most revenue for the government?

	price elasticity of supply of car producers in country Y	price elasticity of demand for cars in country Y
A	+0.5	−0.5
B	+0.5	−1.5
C	+1.5	−0.5
D	+1.5	−1.5

- 25 A country has a balance of trade deficit.

When will this be **least** likely to be improved as a result of a depreciation of its currency?

- A if it is currently operating with a significant amount of unused resources
- B if the sum of the price elasticities of demand for exports and imports is less than 1
- C if in the long term, the price elasticity of demand for exports should increase
- D if the country uses a relatively small proportion of imports in their production process