

- 20** An increase in what will shift the aggregate demand curve in an economy to the right?
- A** budget deficit
 - B** consumer savings
 - C** general price level
 - D** interest rate
- 21** Which effect of inflation is described as redistributive?
- A** the improvement in the terms of trade
 - B** the deterioration in the balance of trade
 - C** the inconvenience of frequently changing prices
 - D** the loss of purchasing power for people on fixed incomes
- 22** In which situation will a country's terms of trade improve?
- A** Its total value of imports rises less than its total value of exports.
 - B** Its volume of imports rises less than its volume of exports.
 - C** The prices of its imports rise by less than the prices of its exports.
 - D** The value of its external payments rises by less than the value of its external receipts.
- 23** Country X joins a customs union with country Y and will remove the tariff on its imports of good M from country Y.

Under which conditions will trade creation in country X be the largest?

	existing size of country X's tariff on imports of good M	price elasticity of demand for good M in country X
A	large	-0.8
B	large	-1.4
C	small	-0.8
D	small	-1.4

- 24** What is likely to happen if there is a fall in the international value of a country's currency?
- A** a rise in the foreign currency price of its exports
 - B** a rise in the volume of its exports
 - C** a fall in the domestic currency price of its imports
 - D** a fall in the domestic price level