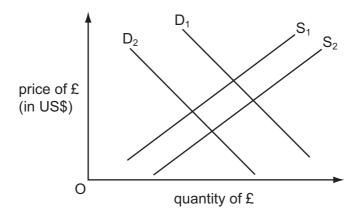
29 In the diagram  $D_1$  and  $S_1$  are the initial demand and supply curves of the UK pound  $(\mathfrak{L})$  on the foreign exchange markets.



What will cause the demand curve to shift to D<sub>2</sub> and the supply curve to S<sub>2</sub>?

- A an appreciation of the pound
- B an increase in incomes in the US
- **C** an increase in the price level in the US
- **D** a decrease in UK interest rates
- 30 When is the imposition of a tariff on a good most likely to reduce a trade deficit?
  - A when the country has a potential comparative advantage in producing that good
  - **B** when the country is a member of an economic union
  - **C** when the elasticity of supply of the good domestically is zero
  - **D** when the price elasticity of demand for the good is zero