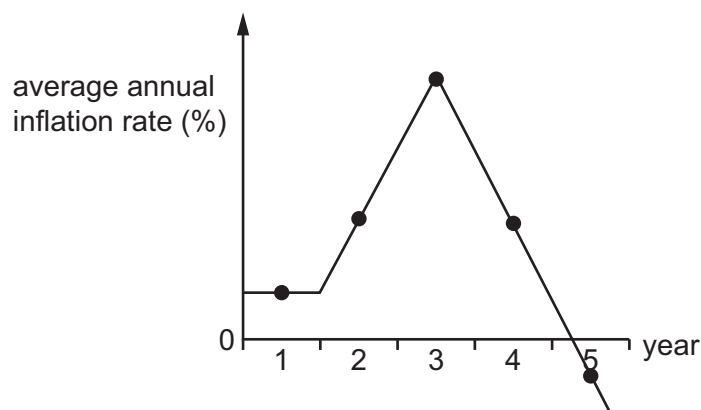


18 Which statement about the circular flow of income is correct?

- 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 |