

- 28** Assuming that the supply of exports and imports are perfectly elastic, at which combination of elasticities of demand for imports and exports would a 10 % fall in the value of a currency lead to a worsening of the trade account of a country's balance of payments?

	elasticity of demand for exports	elasticity of demand for imports
A	0.5	0.25
B	0.5	0.5
C	1.0	0.75
D	1.0	1.0

- 29** The price of a good traded internationally increases.

Who would be disadvantaged the most?

- A** high income countries that pursue a policy of self sufficiency
 - B** high income countries with a balance of payments surplus that export the good
 - C** low income countries dependent on importing the good
 - D** low income countries with alternative suppliers of the good
- 30** A country has a deficit on the current account of its balance of payments.
- What might help the country to reduce its deficit?
- A** a decrease in its rate of income tax
 - B** a decrease in its tariffs
 - C** an increase in its level of employment
 - D** an increase in its subsidies to exporters