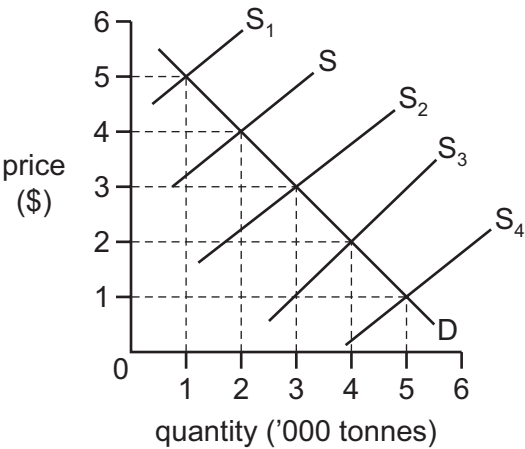


18 In the diagram, D is the demand curve of an agricultural commodity and S is the initial supply curve.

The government promises to maintain farmers' incomes at least at this initial level. The harvests in four subsequent years are shown by supply curves S<sub>1</sub> – S<sub>4</sub>.



In which years will the government need to provide extra income to farmers?

- A** 1 and 2                      **B** 1 and 4                      **C** 2 and 3                      **D** 3 and 4

19 The table shows the costs of producing a unit of food and a unit of clothing in countries X and Y, expressed in the currency of each country.

country	food	clothing
X	\$2	\$4
Y	£1	£1

The exchange rate is fixed at £1 = \$3.

What level of transport cost per unit of each commodity would exactly eliminate the benefits of trade?

- A** £0.33                      **B** £0.50                      **C** £1.00                      **D** £1.50

20 What is the most likely aim of a government that increases the level of tariffs on imported manufactured goods?

- A** a fall in interest rates  
**B** a fall in the exchange rate  
**C** a rise in domestic employment  
**D** a rise in the general price level