

26 Which statement about trade protection is correct?

- A** A tariff results in a greater decrease in demand for an import the lower is its price elasticity of demand.
- B** Embargoes are only an effective trade barrier when the demand for imports is price-elastic.
- C** Export subsidies to domestic firms will prevent the dumping of foreign products in the domestic market.
- D** Quotas are less effective than tariffs for raising government revenue.

27 Which type of policy would have the most immediate effect in dealing with a deflationary economic downturn?

- A** increasing the government's budget surplus
- B** increasing borrowing by assisting banks to lend more
- C** investing in long-term projects to improve transport networks
- D** switching the burden of taxation from earning to spending

28 Which combination identifies a main aim of supply-side policy and a measure used to achieve this target?

| | main aim | policy measure |
|----------|-----------------|-----------------------------|
| A | economic growth | deregulation |
| B | full employment | increasing the money supply |
| C | income equality | more progressive taxation |
| D | stable prices | decreasing interest rates |

29 Deflation is associated with persistent falling price levels.

Which government policy would be most effective to prevent deflation?

- A** imposing maximum price levels on basic foodstuffs
- B** improving consumer confidence by reducing sales taxes
- C** increasing income tax rates and increasing government borrowing
- D** removing economic uncertainty and encouraging business investment