19 Under which circumstance would the rate of inflation be **most** likely to fall?

A Government spending increases and society's marginal propensity to save falls.

B Reduced interest rates result in consumers increasing their spending.

C The government increases direct taxes and the level of investment falls.

D The prices of imported raw materials rise, whilst demand for exports falls.

20 In which circumstances will country X have a comparative advantage in the production of rice over country Y?

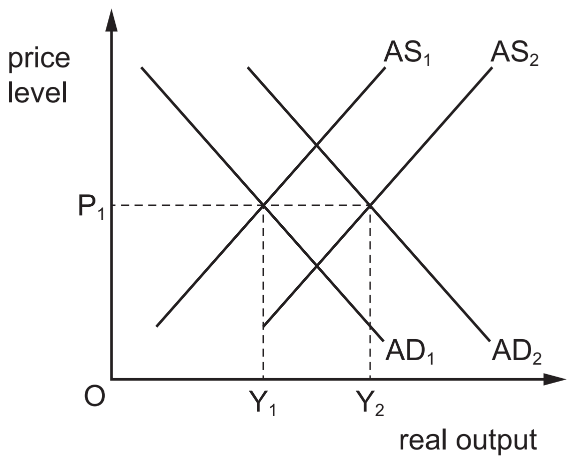
A when X has lower opportunity costs in producing rice than Y

B when X is in a customs union and Y is outside that union

C when X uses dollars for trading and Y uses a different currency

D when X uses more units of labour than Y to produce rice

21 The diagram shows an economy with an initial equilibrium real output of Y_1 at a price level of P_1.



Which combination of events is likely to cause the equilibrium real output to rise to Y_2?

A an increased budget deficit and a fall in energy costs

B an increased budget surplus and a rise in energy costs

C an increased trade deficit and a fall in indirect tax

D an increased trade surplus and a rise in indirect tax