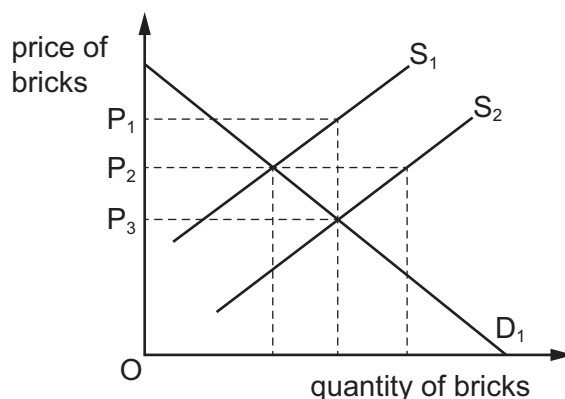17 A government wishes to increase the supply of houses. It pays a subsidy to brick manufacturers to increase supplies of bricks to S_2.

The diagram shows the supply of and demand for bricks.

Which size of subsidy per unit is required to increase supply to S_2?

A OP_3 **B** P_1P_2 **C** P_1P_3 **D** P_2P_3

18 Why is national defence provided by the government?

A In a free market it is excludable and rival in consumption.

B In a free market it is non-excludable and non-rival in consumption.

C The government has perfect information, so it can set the correct quantity required.

D The private sector firm would charge a high price for its use as it is a necessity.

19 Which statement about a rise in the general price level in a country is correct?

A It is likely to create economic winners and losers in the country.

B It is never acceptable to modern governments.

C It means that no goods have fallen in price.

D It must make the average citizen poorer.

20 A country's terms of trade changed from 100 to 95.

What is **most** likely to have caused this change?

A a depreciation of the country's currency

B a reduction in import tariffs

C a rise in the price of exported goods

D an improvement in the balance of trade