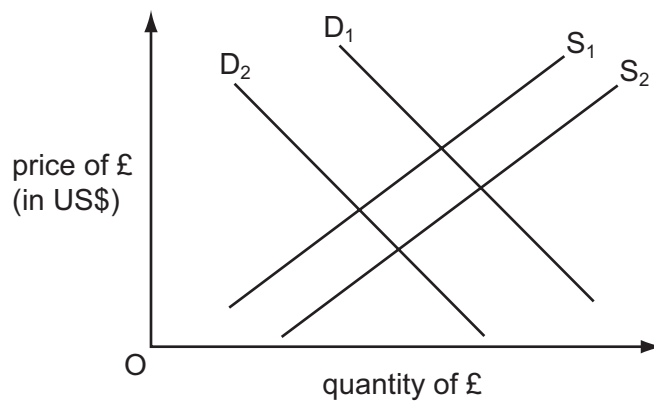


- 29 In the diagram  $D_1$  and  $S_1$  are the initial demand and supply curves of the UK pound (£) on the foreign exchange markets.



What will cause the demand curve to shift to  $D_2$  and the supply curve to  $S_2$ ?

- A an appreciation of the pound
  - B an increase in incomes in the US
  - C an increase in the price level in the US
  - D a decrease in UK interest rates
- 30 When is the imposition of a tariff on a good most likely to reduce a trade deficit?
- A when the country has a potential comparative advantage in producing that good
  - B when the country is a member of an economic union
  - C when the elasticity of supply of the good domestically is zero
  - D when the price elasticity of demand for the good is zero