

17 Non-rivalry is a characteristic of which type of good?

- A** an inferior good
- B** a merit good
- C** a private good
- D** a public good

18 The table refers to a particular country.

| <i>year</i> | <i>index of import prices (1995 = 100)</i> | <i>index of export prices (1995 = 100)</i> |
|-------------|--|--|
| 1992 | 48.1 | 57.0 |
| 1996 | 122.4 | 120.8 |

Which of the following statements about the period 1992 to 1996 is correct?

- A** The balance of trade improved.
- B** The balance of payments worsened.
- C** The terms of trade worsened.
- D** The exchange rate appreciated.

19 Why might the establishment of a customs union lower economic welfare?

- A** The exchange rate is realigned.
- B** Labour mobility is increased.
- C** Trade is created.
- D** Trade is diverted.

20 A developing country imposes a tariff to protect a new domestic industry.

Which argument would provide an acceptable economic case for this?

- A** It is believed that the industry will always need government assistance to compete internationally.
- B** It is believed that the industry will compete effectively when it achieves economies of scale.
- C** The country wishes to reduce the rate of inflation.
- D** The country wishes to lower its terms of trade.