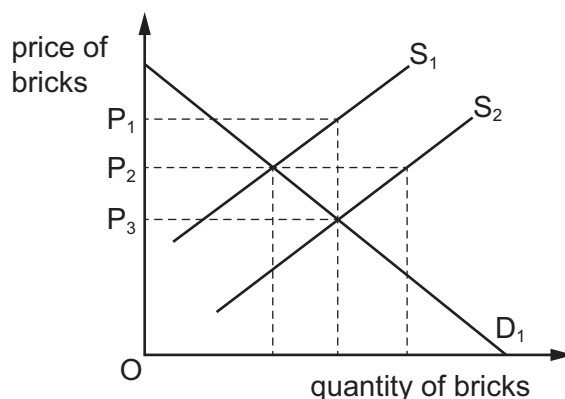


- 17 A government wishes to increase the supply of houses. It pays a subsidy to brick manufacturers to increase supplies of bricks to S_2 .

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