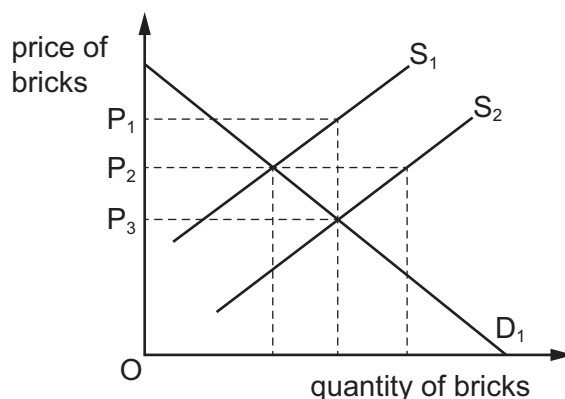


- 17 A government wishes to increase the supply of houses. It pays a subsidy to brick manufacturers to increase supplies of bricks to  $S_2$ .

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