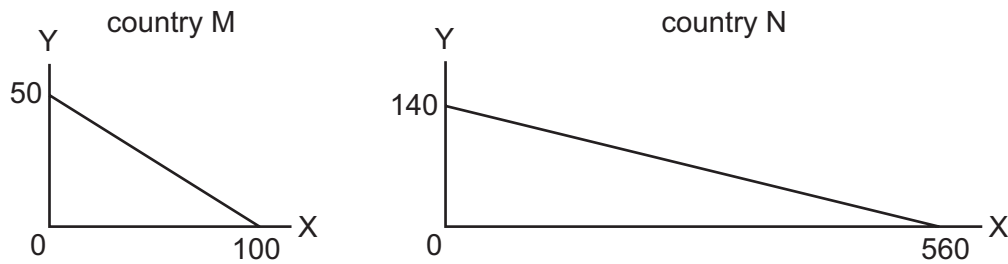
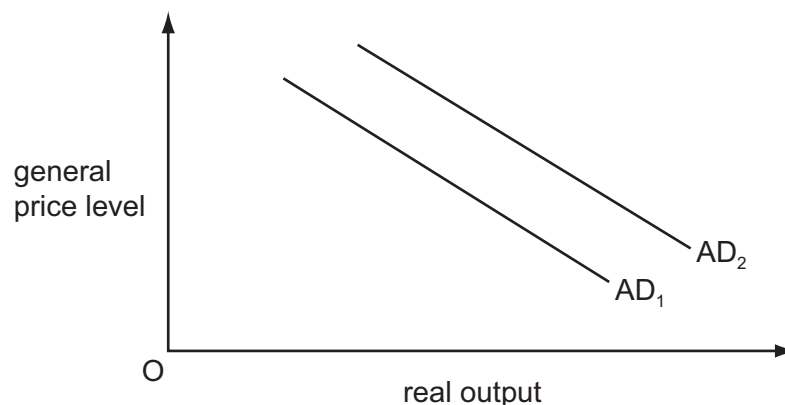


21 The graphs show the production possibilities for commodities X and Y in two countries M and N.



What will be the effect of an agreement between M and N to exchange the commodities at a rate of 1Y for 3X?

- A Both countries will gain, because their consumption possibilities will increase.
 - B Consumers in country M will lose, because a unit of Y will now cost 3X instead of 2X.
 - C Only country N will gain, because N can produce more of both commodities than M.
 - D Neither country will gain, because they both have a comparative advantage in the production of the same commodity, X.
- 22 What is **not** an item in a country's current account of its balance of payments?
- A exports of primary commodities
 - B money received from banking services
 - C overseas investment
 - D profits sent back by companies overseas
- 23 In the diagram, AD_1 is an economy's initial aggregate demand curve.



What could cause the curve to shift to AD_2 ?

- A Businessmen have come to expect a lower rate of return on capital investment.
- B Domestic consumers have become more thrifty.
- C Exports have become more competitive in overseas markets.
- D The economy's propensity to import has increased.