- 20 Why would a government introduce tariffs and quotas?
 - A to increase the level of international competition
 - **B** to increase the demand for home-produced goods
 - C to reduce the price of home-produced goods
 - **D** to reduce the price of imports
- 21 In some parts of the world economic unions have been established. These have introduced a common currency.

What could be an economic disadvantage of introducing such a common currency?

- A Absolute and comparative cost advantages would disappear as a basis for trade.
- **B** Devaluation of a member's currency would no longer be possible.
- **C** Prices of goods and services would be the same over the whole union.
- **D** Trade creation would take place.
- 22 The 'terms of trade' of a country refers to
 - A the system of tariff rates levied by the government of the country.
 - **B** the relationship between average import prices and average export prices.
 - **C** the rate at which domestic currency can be sold in foreign exchange markets.
 - **D** the difference between the value of exports and the value of imports.