

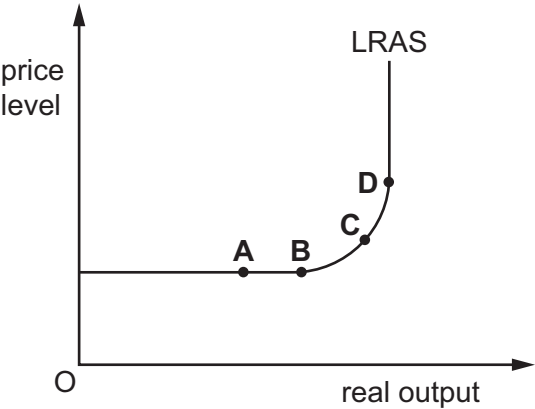
21 An economy is initially in equilibrium.

Which combination of events will **definitely** cause an increase in the general price level of the economy and a decrease in its real output?

	aggregate demand	short-run aggregate supply
<b>A</b>	decreases	decreases
<b>B</b>	decreases	unchanged
<b>C</b>	increases	decreases
<b>D</b>	unchanged	decreases

22 The government of a country changes from a balanced budget to a budget deficit.

From which point along the country’s long-run aggregate supply curve (LRAS) will this change cause the largest increase in employment without creating inflationary pressure?



23 The price and volume indexes of a country’s imports and exports are shown in the table, for year 2 [year 1 = 100].

year 2 price index		year 2 volume index	
imports	exports	imports	exports
110	121	90	80

What is the country’s terms of trade index for year 2?

- A**
90.9
- B**
97.8
- C**
110.0
- D**
111.0