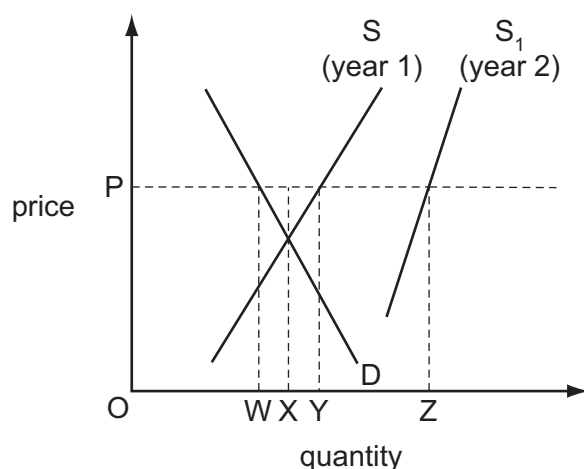


- 18 In the diagram S and S_1 are the supply curves for an agricultural product in years 1 and 2 respectively. D is the demand curve in years 1 and 2.

In year 1 the government purchased an amount necessary to ensure that the price was OP .



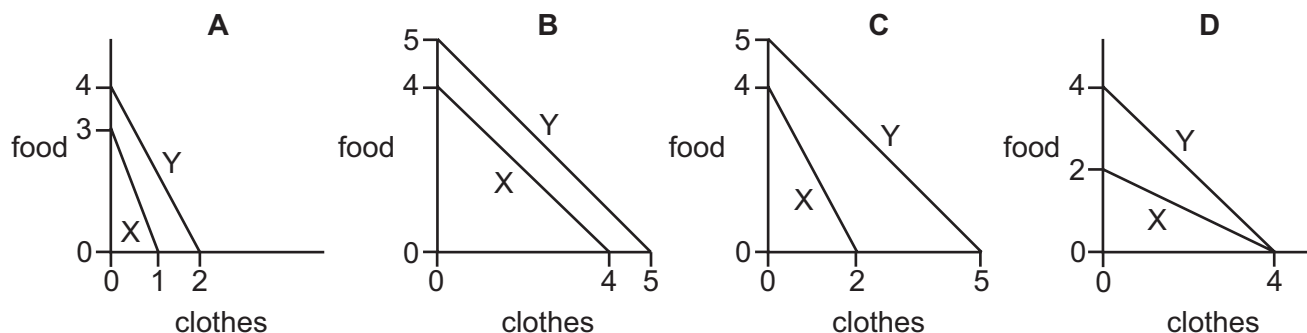
The price is held at OP in year 2.

How much more must the government buy in year 2 than it bought in year 1?

- A** WX **B** XY **C** XZ **D** YZ

- 19 Each diagram shows the production possibility curves of two economies, X and Y, which produce food and clothes.

In which diagram would both economies benefit by specialising in the good in which they have comparative advantage and trading at an exchange rate of 1 unit of clothes to 1.5 units of food?



- 20 An argument against trade protection is that it will increase

- A** competition for domestic industries.
B domestic price levels.
C opportunities for domestic infant industries.
D the current account deficit.