

- 26** Countries X and Y produce the world supply of computers and wheat. Each country divides its resources equally between the two products and produces the following.

| | computers units | wheat units |
|---|--------------------|----------------|
| X | 2000 | 1400 |
| Y | 1000 | 200 |

How would total output be altered if each country specialised completely in the product in which it has a comparative advantage?

| | computers units | wheat units |
|----------|--------------------|----------------|
| A | –1000 | +1200 |
| B | –1000 | +1600 |
| C | +1000 | +400 |
| D | +1000 | +1600 |

- 27** Why might a government decide to increase the quota set on imports?
- A** to cut a deficit on the trade balance in goods and services
 - B** to encourage diversification in home industry
 - C** to lower domestic unemployment
 - D** to raise the level of international trade
- 28** What can be considered an expansionary supply-side policy?
- A** an increase in government expenditure on training
 - B** an increase in sales tax
 - C** an increase in the rate of interest
 - D** an increase (revaluation) of the exchange rate
- 29** In an attempt to correct a balance of trade deficit, the government of Indonesia has decided to employ expenditure-dampening methods.

Which policy would best fit this description?

- A** introducing quotas on imported goods
- B** raising income tax rates
- C** subsidising home-produced goods
- D** taxing imported goods