

23 There is a rise in the exchange rate of the US\$.

Which would cause the greatest increase in the US current account deficit?

- A** a high level of domestic unemployment
- B** a high price elasticity of demand for imports
- C** a low price elasticity of demand for exports
- D** a low rate of domestic inflation

24 Since 2000 a country's export prices have increased on average by 50% and its import prices by 25%.

What is the current figure for the country's terms of trade (2000 = 100)?

- A** 75 **B** 83 **C** 120 **D** 125

25 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?

