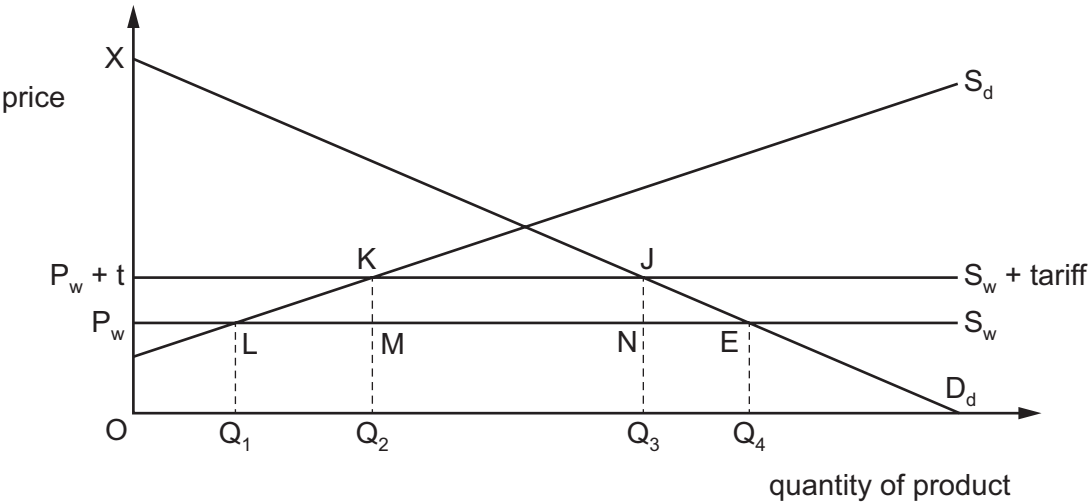


27 In the diagram, D_d and S_d represent the domestic demand and supply curves for a product. S_w represents world supply of the product when there is free trade, at a world price of P_w . The initial domestic market equilibrium level of consumption of the product is at E.

If a tariff of t were to be imposed, world supply would now be represented by $S_w + \text{tariff}$, at a price of $P_w + t$.



What would be the level of domestic production and the total of government revenue from tariffs after the tariff of t were imposed?

	level of domestic production	total level of revenue from tariffs
A	OQ_2	JKMN
B	OQ_2	OQ_2MP_w
C	Q_1Q_2	EJKL
D	Q_2Q_3	$KLM + JNE$

28 Which government policy is most likely to focus on an increase in the quantity of skilled labour?

- A** exchange rate policy
- B** fiscal policy
- C** monetary policy
- D** supply-side policy