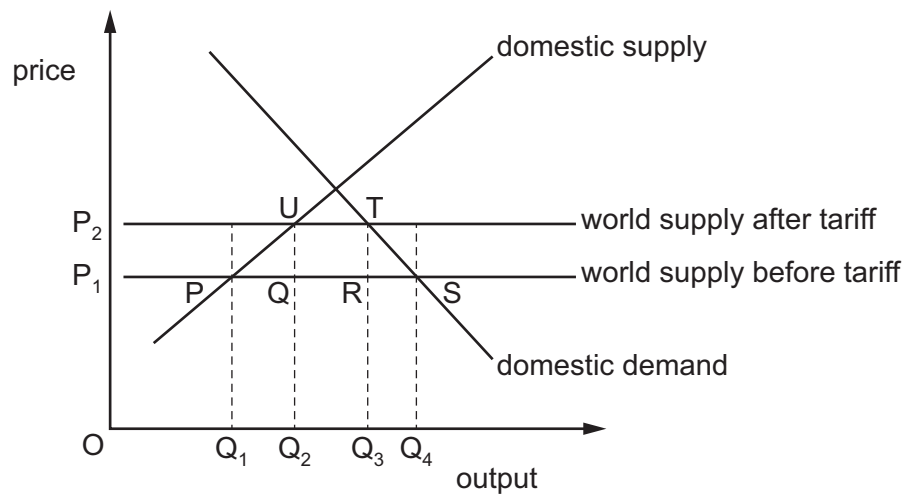


25 The diagram shows the imposition of a tariff on imports.



Which set of values is correct?

	imports before tariff	imports after tariff	tax revenue
A	OQ <sub>4</sub>	OQ <sub>3</sub>	PUTS
B	OQ <sub>4</sub>	OQ <sub>3</sub>	QUTR
C	Q <sub>1</sub> Q <sub>4</sub>	Q <sub>2</sub> Q <sub>3</sub>	PUTS
D	Q <sub>1</sub> Q <sub>4</sub>	Q <sub>2</sub> Q <sub>3</sub>	QUTR

26 When is a deficit on the current account of the balance of payments likely to worsen?

- A when a government adopts a deflationary macroeconomic policy
- B when a government subsidises exports
- C when prices of essential imported raw materials increase significantly
- D when tariffs are placed on imported products with a wide range of domestic substitutes

27 A government with a floating exchange rate wishes to encourage a rise in the international value of its currency.

What should it do?

- A lower the level of domestic interest rates
- B reduce the amount of foreign currency available to its citizens
- C reduce subsidies to its exporters
- D remove trade barriers on imports