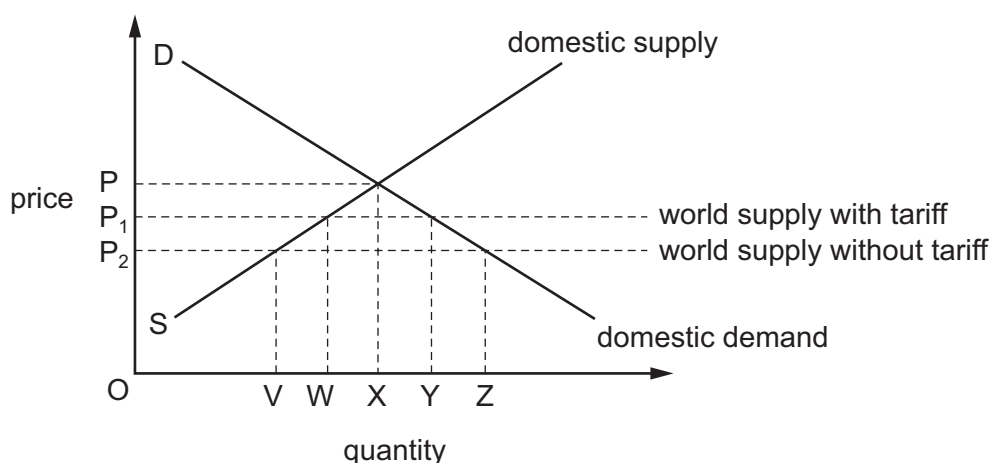


- 26** In each country, P and Q, one person can either produce the quantity of X or the quantity of Y shown.

In which case does country P have absolute advantage in the production of Y and country Q have comparative advantage in the production of X?

	country	product X	product Y
<b>A</b>	P	6	7
	Q	6	9
<b>B</b>	P	10	8
	Q	7	9
<b>C</b>	P	12	6
	Q	8	4
<b>D</b>	P	16	15
	Q	14	8

- 27** A government removes the tariff on a product as shown in the diagram.



What will be the change in domestic production?

- A** a reduction of WV  
**B** a reduction of XV  
**C** a reduction of XW  
**D** a reduction of ZY
- 28** What would be increased by an expansionary fiscal policy?
- A** budget deficit  
**B** exchange rate  
**C** money supply  
**D** rate of direct taxation