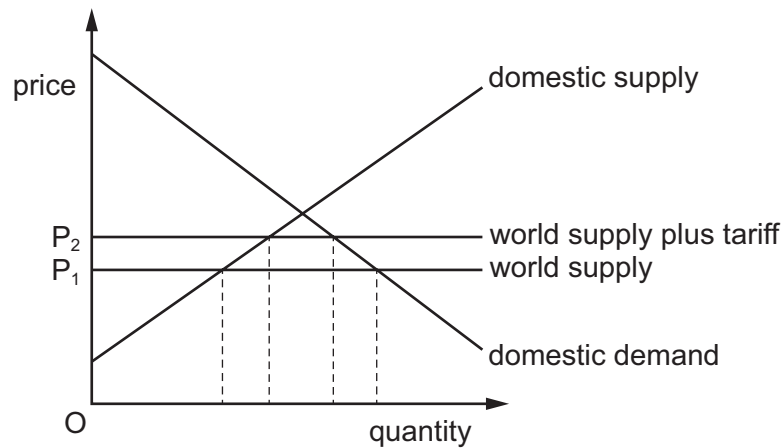


27 The diagram shows the effect of introducing a tariff on a product.



What determines the producer surplus that the tariff generates for domestic producers?

- A** the price elasticities of domestic supply and demand
 - B** the tariff rate and the price elasticities of both domestic demand and supply
 - C** the tariff rate and the price elasticity of domestic demand
 - D** the tariff rate and the price elasticity of domestic supply
- 28** Which government policy is most likely to cause expenditure switching that will benefit a country's current account?
- A** increasing import quotas
 - B** increasing income tax allowances
 - C** increasing spending on unemployment benefits
 - D** increasing subsidies to domestic firms
- 29** Which type of economic policy is likely to be considered the most effective by a government that has greater income equality as its primary aim?
- A** fiscal policy
 - B** international trade policy
 - C** monetary policy
 - D** supply side policy