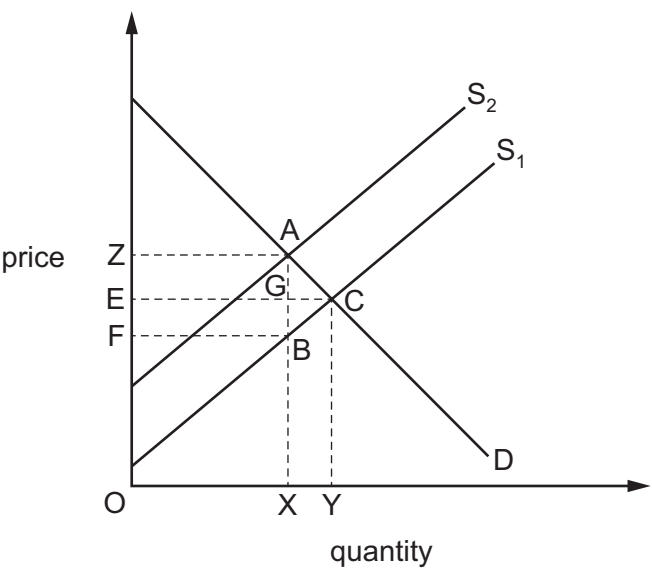


18 The diagram shows the effects of placing a unit tax equal to AB on a good.



Which area represents the burden of tax paid by the producer?

- A** ECBF **B** EGBF **C** ZABF **D** ZAGE

19 Below are production possibilities for two countries showing their daily production of food and drink, each using the same quantity of resources.

	food (units)	drink (units)
country X	50	100
country Y	40	60

What can be concluded from the figures?

- A** Country X has absolute advantage in food and comparative advantage in drink.
B Country X has comparative advantage in both goods.
C Country Y has absolute advantage in drink and comparative advantage in food.
D Country Y has neither absolute nor comparative advantage.

20 How might trade protection reduce a country’s ability to compete in export markets?

- A** by increasing firms’ profit margins on goods supplied to the domestic market
B by increasing the cost to the country’s manufacturers of imported components
C by increasing the real disposable income of the country’s consumers
D by making the country more attractive to inward investors