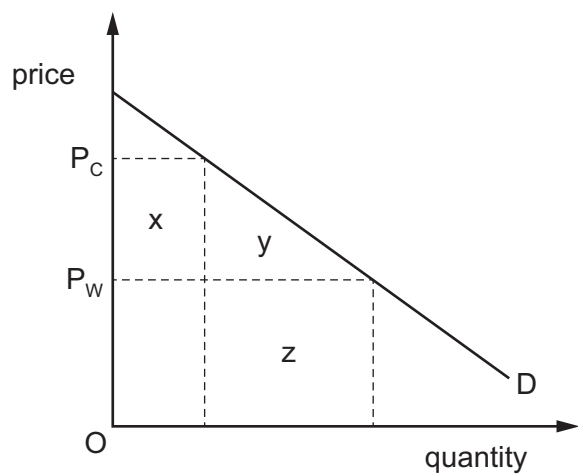


**26** In the diagram, D is a country's demand curve for an imported good.

The country's government imposes an import tariff equal to  $P_wP_c$  on the good.



Which areas measure the resulting loss in consumer surplus and the resulting gain in government revenue?

	loss in consumer surplus	gain in government revenue
<b>A</b>	$x + y$	$x$
<b>B</b>	$x + y$	$z$
<b>C</b>	$y$	$x$
<b>D</b>	$y$	$z$

**27** The demand for a country's exports is price-elastic.

What will be the effect of introducing export subsidies on its balance of trade and on its terms of trade?

	balance of trade	terms of trade
<b>A</b>	improve	improve
<b>B</b>	improve	worsen
<b>C</b>	worsen	improve
<b>D</b>	worsen	worsen