

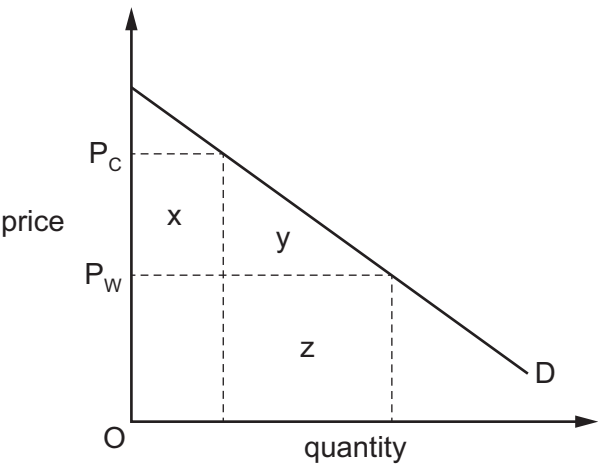
19 Country M specialises in the production of cars while country N specialises in the production of televisions. They then trade with each other.

What is most likely to reduce the level of specialisation and trade?

- A There is rising productivity in the production of cars in M and televisions in N.
- B There is a change from fixed to floating exchange rates between M and N.
- C There is a decrease in the costs of transporting cars and televisions between M and N.
- D There is an increase in the mobility of factors of production within M and within N.

20 In the diagram, D is a country’s demand curve for an imported good.

The country’s government imposes an import tariff equal to  $P_W P_C$  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
A	$x + y$	$x$
B	$x + y$	$z$
C	$y$	$x$
D	$y$	$z$