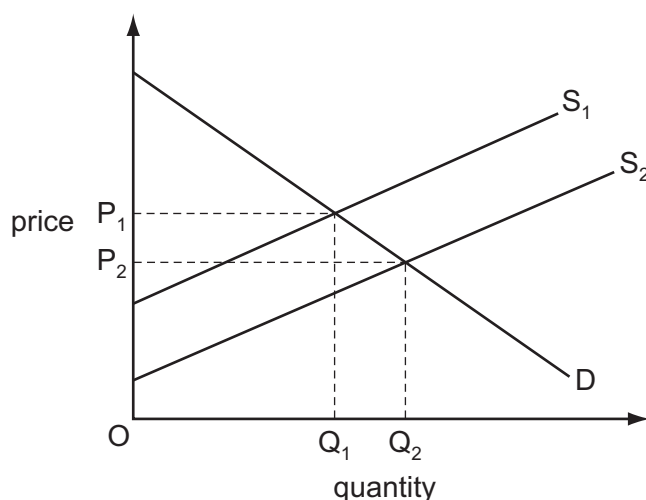


- 18 In the diagram, D is the demand curve for a commodity. S_1 and S_2 are the supply curves before and after an intervention by the government.



What action has the government taken?

- A It has given producers a subsidy to encourage greater output.
 - B It has given a subsidy to consumers.
 - C It has imposed a tax equal to $P_1 - P_2$ to discourage production.
 - D It has purchased a quantity $Q_2 - Q_1$ for government use.
- 19 The table shows the ability of two countries, P and Q, to produce two goods, Y and Z.

| | production of good Y per person | production of good Z per person |
|-----------|------------------------------------|------------------------------------|
| country P | 1000 | 1600 |
| country Q | 1500 | 2000 |

Which statement is correct?

- A P has an absolute advantage in Z and Q has a comparative advantage in Y.
 - B P has an absolute advantage in Z and Q has an absolute advantage in Y.
 - C P has a comparative advantage in Z and Q has an absolute advantage in Y.
 - D P has a comparative advantage in Y and Q has an absolute advantage in Z.
- 20 What is the least likely outcome for participating countries of a move towards freer trade?
- A greater international specialisation
 - B greater product choice
 - C higher standards of living
 - D more equal distribution of income