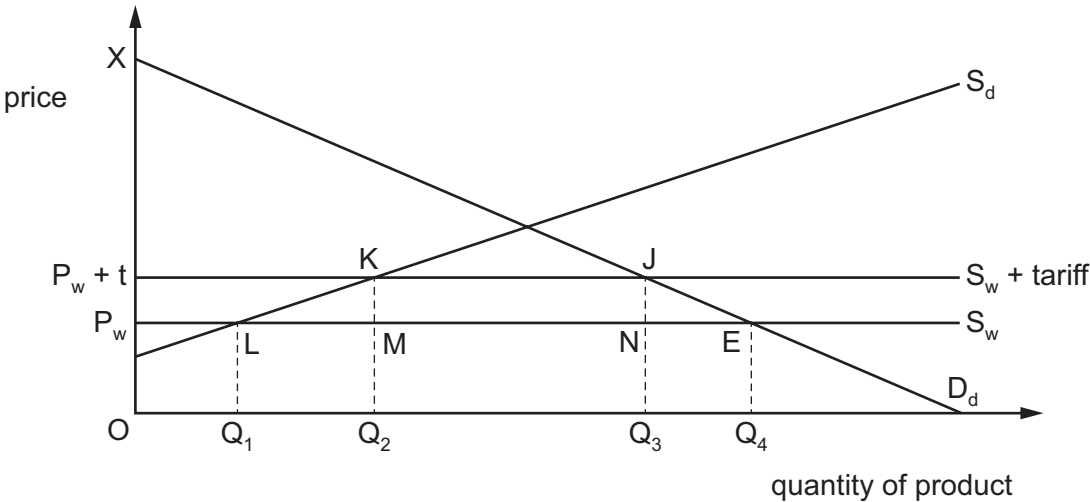


27 In the diagram,  $D_d$  and  $S_d$  represent the domestic demand and supply curves for a product.  $S_w$  represents world supply of the product when there is free trade, at a world price of  $P_w$ . The initial domestic market equilibrium level of consumption of the product is at E.

If a tariff of  $t$  were to be imposed, world supply would now be represented by  $S_w + \text{tariff}$ , at a price of  $P_w + t$ .



What would be the level of domestic production and the total of government revenue from tariffs after the tariff of  $t$  were imposed?

	level of domestic production	total level of revenue from tariffs
<b>A</b>	$OQ_2$	JKMN
<b>B</b>	$OQ_2$	$OQ_2MP_w$
<b>C</b>	$Q_1Q_2$	EJKL
<b>D</b>	$Q_2Q_3$	$KLM + JNE$

28 Which government policy is most likely to focus on an increase in the quantity of skilled labour?

- A** exchange rate policy
- B** fiscal policy
- C** monetary policy
- D** supply-side policy