

- 19** The table shows the output of cars and televisions per worker per week before trade and specialisation.

	country X	country Y
cars	2	8
televisions	6	48

Each country specialises in the product where it has a comparative advantage and trades on the basis of an exchange rate which lies between their opportunity cost ratios.

Which change would stop the countries specialising and trading?

- A** The exchange rate moves to one car for five televisions.
 - B** The exchange rate moves to one car for eight televisions.
 - C** The productivity of workers in country X rises to three cars per week.
 - D** The productivity of workers in country Y rises to fifty six televisions per week.
- 20** A country produces washing machines. The government lowered both the tax on washing machines produced in its country and the quota on imports of foreign washing machines.

What is the likely result?

- A** Government revenue increased.
- B** Home production decreased.
- C** Prices of foreign washing machines fell.
- D** The balance of trade in goods improved.