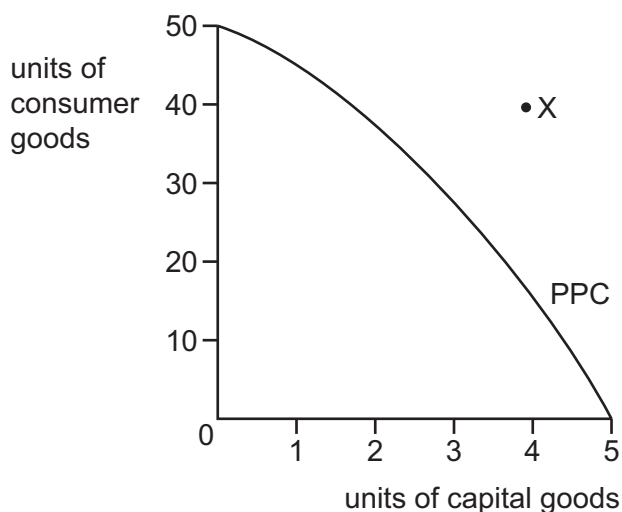


- 4 The diagram shows a production possibility curve (PPC). It indicates the combinations of consumer goods and capital goods produced by an economy using all its available resources.



What does position X indicate?

- A a lower ratio of capital to consumer goods is necessary to achieve economic growth
 - B increasing levels of unemployment
 - C insufficient factors of production are available
 - D too many consumer goods are causing a fall in economic growth
- 5 The tariff on Indian goods entering the US falls from 10% to 5%.

What will be the most likely effect on the producer and consumer surplus in the US?

	US producer surplus	US consumer surplus
A	decrease	increase
B	decrease	no change
C	increase	increase
D	increase	no change