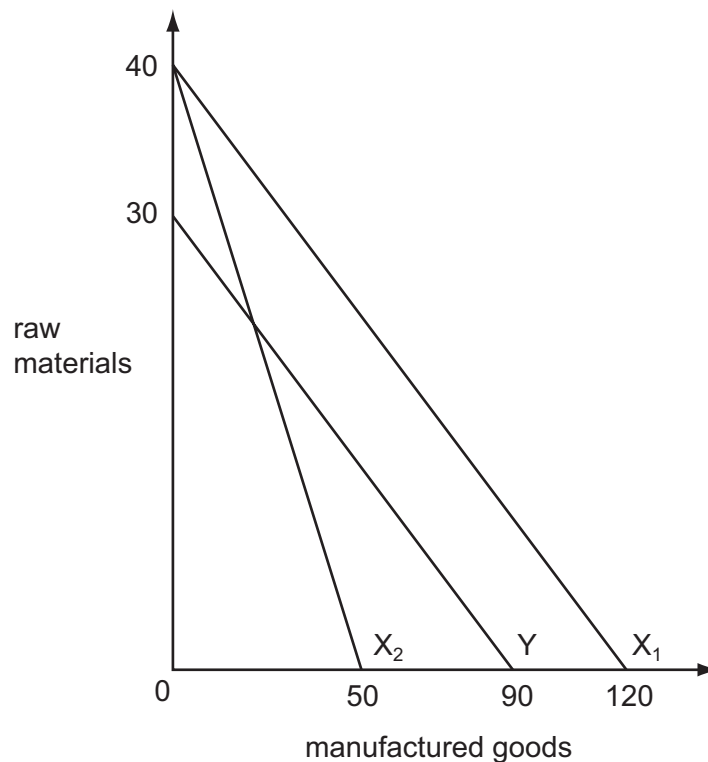


20 The diagram shows the production possibility curves for two countries, X and Y.

A decrease in productivity moves country X's production possibility curve from X_1 to X_2 .



Which statement is correct?

- A** After the change X would export raw materials and import manufactured goods.
- B** After the change there is no economic basis for trade.
- C** Before the change Y had an absolute advantage in the production of raw materials.
- D** Before the change X had a comparative advantage in both products.

21 Which statement about the impact of a tariff and a quota is correct?

- A** A tariff leaves the quantity of imports unchanged while a quota decreases the quantity of imports.
- B** A tariff raises government revenue while a quota benefits the seller of the imports.
- C** A tariff raises the price of imports while a quota leaves import prices unchanged.
- D** A tariff shifts the supply curve of imports while a quota shifts the demand curve for imports.