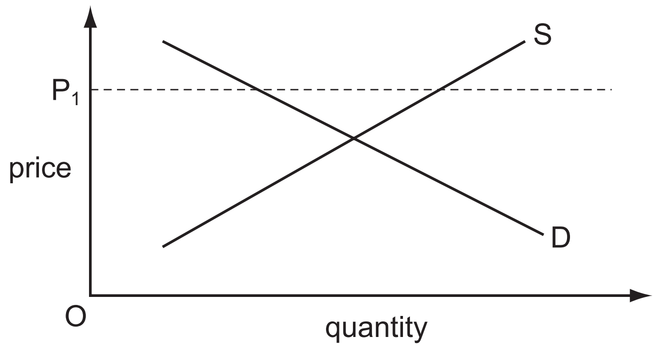
17 The government places a maximum price P_1 on an agricultural product. The supply and demand conditions for this product are shown.



What will be the outcome in the market for this product?

A There will be an equilibrium price and output.

B There will be a surplus of the product.

C There will be higher than expected profits.

D There will be shortages of this product.

18 A country has the correct climate for growing tea, which is produced very cheaply and exported. Fruit is also grown, but this costs more as the climate is not as suitable.

Fruit can be sold at a higher price than tea so some of the land used for tea is switched to fruit.

What will definitely happen as a result?

A There will be an increase in specialisation by the country.

B There will be an increase in the imports of tea.

C There will be an opportunity cost of the loss of the tea production.

D There will be production in line with absolute advantage.

19 A government has been protecting its domestic car industry with a quota on imported cars. It then removes the quota and replaces it with a subsidy to domestic car producers.

How will this change affect the price of cars and the level of consumer choice?

	price of cars	level of choice
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase