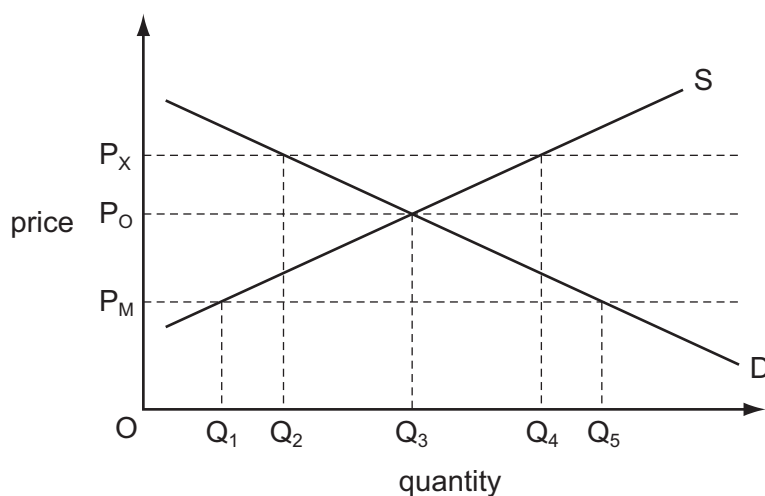


- 18 The diagram shows the market for spectacles. Initially the market equilibrium price is  $P_O$  and quantity  $Q_3$  is bought and sold.



The government then sets both a maximum price of  $P_X$  and a minimum price of  $P_M$ .

What effect will these measures have on the market for spectacles?

- A create a shortage of spectacles equal to  $Q_1Q_5$
  - B create a surplus of spectacles equal to  $Q_2Q_4$
  - C create a surplus of spectacles equal to  $Q_3Q_4$
  - D leave the quantity bought and sold unchanged
- 19 A country has a comparative advantage in producing spices.
- Why may it choose **not** to specialise in spices?
- A The country experiences a lower opportunity cost in producing spices than other countries.
  - B There are high tariffs imposed by other countries on the import of spices.
  - C There is a low cost of transporting spices to other countries.
  - D There is high world income elasticity of demand for spices.