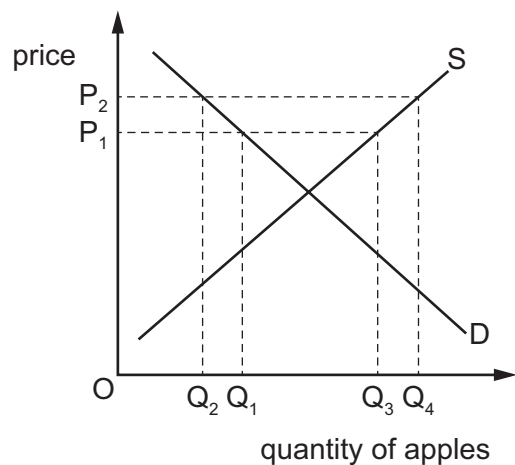


17 The diagram shows a firm's supply of and demand for apples.



If a minimum price is increased from  $P_1$  to  $P_2$  what will happen to the amount of apples sold?

- A It will decrease from  $Q_1$  to  $Q_2$ .
- B It will decrease from  $Q_4Q_1$  to  $Q_2Q_3$ .
- C It will increase from  $Q_3$  to  $Q_4$ .
- D It will increase from  $Q_3Q_2$  to  $Q_4Q_1$ .

18 In an attempt to reduce crime, a government introduces a subsidy on the production of burglar alarms, but sales rise very little.

Which possible characteristics of the good would lead to this outcome?

|   | price elasticity of demand | price elasticity of supply |
|---|----------------------------|----------------------------|
| A | high                       | high                       |
| B | high                       | low                        |
| C | low                        | high                       |
| D | low                        | low                        |

19 Compared with Pakistan, Germany has a higher output of pharmaceuticals per unit of resources used.

What could explain this?

- A the existence of floating exchange rates
- B the law of absolute advantage
- C the Marshall–Lerner condition
- D the terms of trade