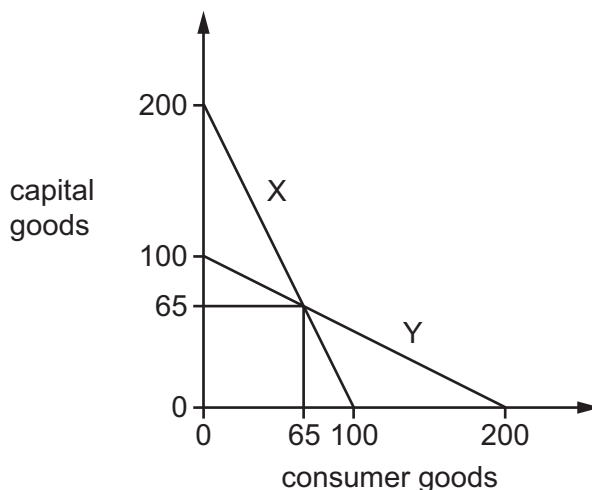


- 3 The diagram shows the production possibility curves of two economies, X and Y.



Which statement about the two economies is correct?

- A Both economies always have identical opportunity costs.
  - B Both economies have the same future growth prospects.
  - C The opportunity costs are constant in each economy.
  - D The terms of trade for both countries will be one capital good for one consumer good.
- 4 A production possibility curve shows labour-intensive farming output and capital-intensive manufacturing output.

What would **not** cause a shift in this curve?

- A a reduction in sales tax on manufactured products
  - B better training of workers in the manufacturing sector of the economy
  - C improvements in the productivity of agricultural machinery
  - D the reclamation of land to be used for both agriculture and manufacturing
- 5 In calculating the short-run supply schedule for a firm, what is assumed to remain unchanged?
- A the number of consumers
  - B the price of the good
  - C the quantities of all factors
  - D the state of technology