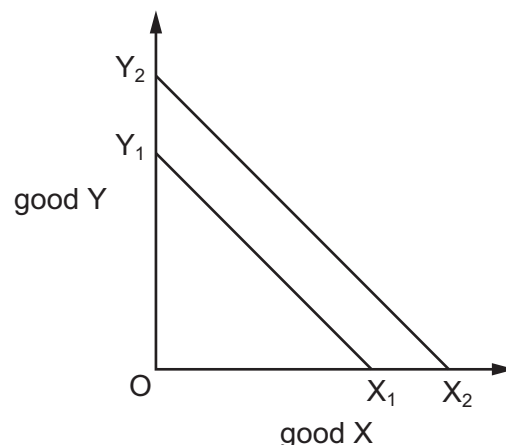


- 1 What is likely to occur as a result of a permanent rise in unemployment resulting in loss of skills?
- A a reduction in the economy's long-run production possibility
  - B a reduction in the scarcity of resources
  - C an increase in the cost of allocating resources
  - D an increase in the number of adults experiencing the economic problem
- 2 What is likely to be the short-run consequence of replacing central planning with a market-based system?
- A a decrease in the rate of inflation
  - B a lower rate of return on capital investment
  - C a more equal distribution of income and wealth
  - D an increase in the level of unemployment
- 3 The diagram illustrates the production possibility curve of an economy in Year 1 ( $X_1$   $Y_1$ ) and in Year 2 ( $X_2$   $Y_2$ ).



What can be concluded from the diagram?

- A The cost of production was higher in Year 2 than in Year 1.
- B The full employment level of output was higher in Year 2 than in Year 1.
- C The opportunity cost of production was higher in Year 2 than in Year 1.
- D Unemployment was higher in Year 2 than in Year 1.