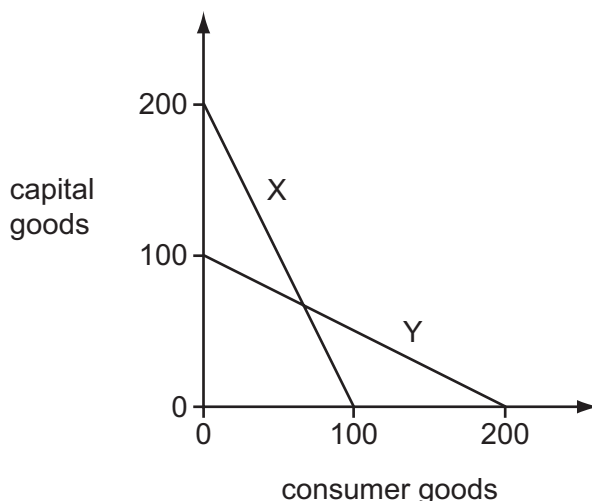


- 1 The diagram shows the production possibility curves of two economies, X and Y.



Which statement about the two economies is correct?

- A Both economies always have the identical opportunity costs.
  - B Both economies have the same future growth prospects.
  - C The opportunity costs are constant in both economies.
  - D The two economies can never produce the same combination of products.
- 2 What distinguishes capital from other factors of production?
- A Capital exists only in capitalist market economies.
  - B Capital results from the operation of the other factors.
  - C The rewards earned by the owners of capital are uncertain.
  - D Unlike labour or land, capital must be owned rather than hired or rented.
- 3 What is likely to be greater in a planned economy than a market economy?
- A efficiency
  - B flexibility
  - C innovation
  - D stability
- 4 Which is a normative statement?
- A An increase in the rate of inflation will lead inevitably to an increase in unemployment.
  - B A reduction in unemployment below a certain level will lead to higher inflation.
  - C Inflation can be reduced only by increasing the level of unemployment.
  - D Unemployment is more harmful than inflation.