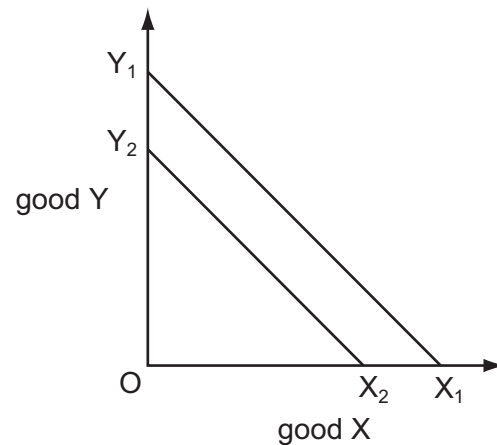


- 1 The diagram illustrates the production possibility curves for an economy in Year 1 ( $X_1$   $Y_1$ ) and Year 2 ( $X_2$   $Y_2$ ).



What can be concluded from the diagram?

- A The cost of production was lower in Year 2 than in Year 1.
  - B The full employment level of output was lower in Year 2 than in Year 1.
  - C The opportunity cost of production was lower in Year 2 than in Year 1.
  - D Unemployment rose between Year 1 and Year 2.
- 2 What does the concept of ceteris paribus allow economists to do?
- A calculate the monetary value of consumer surplus
  - B distinguish between economic and free goods
  - C distinguish between normative and positive statements
  - D isolate the effect of one variable on another variable