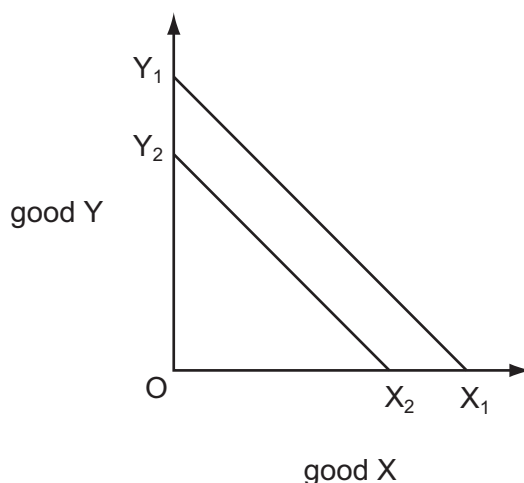


- 1 What is the main economic problem facing all societies?
 - A how to reduce unemployment
 - B how to reduce poverty
 - C how to allocate scarce resources
 - D how to control inflation

- 2 What is the opportunity cost to an unemployed worker who becomes employed?
 - A the leisure they would otherwise have had
 - B the value of the goods and services they produce
 - C the wages they are paid
 - D zero

- 3 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 deduced 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 was lower in Year 2 than in Year 1.
 - D Unemployment rose between Year 1 and Year 2.

- 4 Which is a normative economic statement?
 - A Money is the least liquid form of wealth.
 - B Some firms are subsidised by the government.
 - C Some workers earn more than others.
 - D Taxes are the best way to discourage smoking.