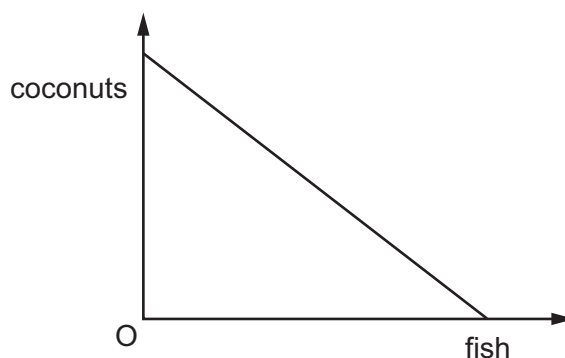


- 1 The diagram shows the production possibility curve of a desert island economy where the inhabitants produce just two commodities, coconuts and fish.



What explains the shape of the production possibility curve?

- A** Coconuts and fish are perfect complements.
- B** Coconuts and fish are perfect substitutes.
- C** The inhabitants consume more fish than coconuts.
- D** The opportunity cost of increasing fish production is constant.
- 2 A worker earns \$40 per hour. Rather than work, she decides to visit a museum for three hours. The visit costs a total of \$40.

What is the opportunity cost of visiting the museum?

- A** \$40 **B** \$80 **C** \$120 **D** \$160
- 3 A newspaper article contains the following comments.

- 1 The burden of tax should be shifted more to the highest earners.
- 2 It is in the public interest that key services are nationalised.

Which type of economic statement is illustrated by each comment?

	1	2
A	normative	normative
B	normative	positive
C	positive	normative
D	positive	positive