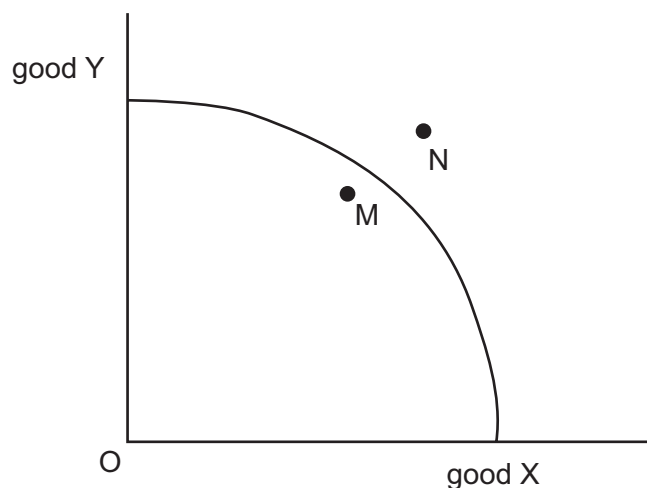


- 1 What is an essential feature of a pure market economy?
- A Buyers and sellers have perfect knowledge.
 - B External costs are taxed.
 - C Prices respond to the demands of consumers.
 - D The government provides public goods.
- 2 The diagram shows a country's production possibility curve.



What could allow the economy to move from M to N?

- A an increase in consumer spending
 - B an increase in demand for exports
 - C an increase in government spending on pensions
 - D an increase in investment
- 3 What is an example of the factor of production capital?
- A a bank account held by a small firm to be used for future purchases
 - B a forest of hardwood trees ideal for furniture making
 - C the market value of a company's shares
 - D word processing software used by a writer to complete her new book
- 4 The workers in a factory currently earn \$240 for a 40-hour week. The management offers them a choice between either a 10 per cent wage increase or an increase in the weekly wage to \$260 along with a reduction from 40 to 39 hours.

Disregarding the value of leisure time, what is the opportunity cost to each worker of opting for the 39-hour week?

- A \$4
- B \$6
- C \$20
- D \$24