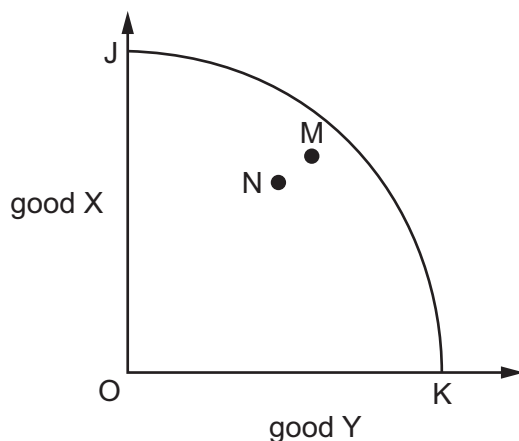


- 1 What are involved in the allocation of resources in a market economy?
 - A factors of production and subsidies for essential goods
 - B prices and choices
 - C production possibilities and trade restrictions
 - D unlimited wants and public goods

- 2 The curve JK in the diagram is an economy's production possibility curve.



What could cause the economy to move from point M to point N?

- A a decrease in the dependency ratio
 - B a decrease in the population of working age
 - C an increase in the participation rate
 - D an increase in the unemployment rate

- 3 In the twentieth century the nature of a typical car assembly plant changed. The industry had fewer firms, they operated on larger sites and they had more automated machinery.

How is this change most likely to have affected the relative use of factors of production in the industry?

| | increased relative use | decreased relative use |
|---|------------------------|------------------------|
| A | capital and enterprise | labour and land |
| B | enterprise and labour | land and capital |
| C | labour and land | capital and enterprise |
| D | land and capital | enterprise and labour |