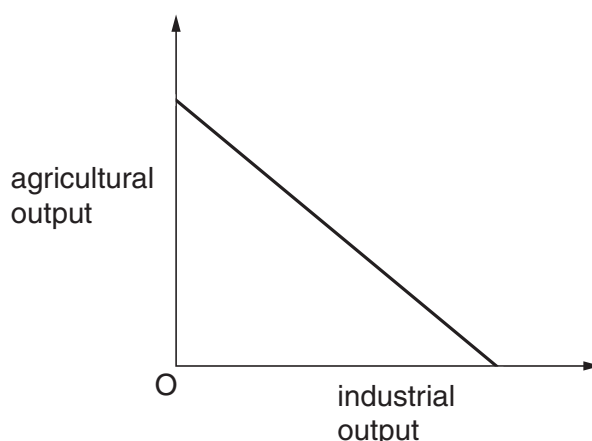


- 1 The diagram shows an economy's production possibility curve.



Why does the curve slope downwards?

- A Agriculture and industry are subject to decreasing returns to scale.
 - B Agriculture and industry are subject to increasing returns to scale.
 - C Resources are shared equally between industrial and agricultural production.
 - D Total resources available to the economy are limited.
- 2 Which of the following statements about trade unions is normative?
- A Since trade unions exist to safeguard the interests of their members, they deserve the legal protection of the state.
 - B In countries where trade unions are strong, income distribution is more equal.
 - C Uneven trade union membership has resulted in a widening of the wage gap between different industries.
 - D In industries where trade unions are powerful, technical progress tends to be much slower.
- 3 Given a rate of interest of 10% per year, what is the opportunity cost to an individual of saving an additional \$100 in year 1?
- A an increase in consumption of \$110 in year 2
 - B an increase in consumption of \$10 in year 2
 - C consumption of \$100 in year 1
 - D consumption of \$110 in year 1