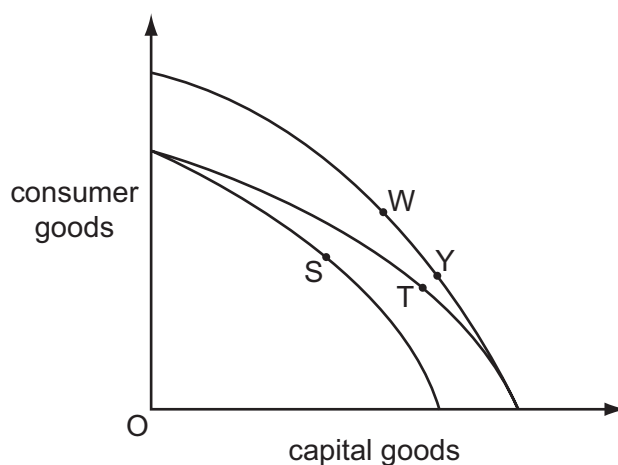


- 1 The steel required for the construction of a new car-assembly plant in a fully employed economy is obtained by increasing the output of the domestic steel industry.

What is the opportunity cost of producing the steel?

- A the alternative benefits forgone by diverting additional resources to steel manufacture
- B the alternative benefits forgone by increasing the capacity of the car industry
- C the alternative benefits that would have been obtained by putting the steel to other uses
- D zero, since there is no reduction in the steel supplied to other steel users

- 2 The diagram shows shifts in an economy's production possibility curve.



Which change could have come about as a result of an improvement in technology?

- A S to Y
- B T to S
- C W to T
- D W to Y

- 3 What is meant by the ceteris paribus assumption?

- A an assumption that is not supported by the facts
- B an assumption that consumers act rationally
- C an assumption that two factors are in equilibrium
- D an assumption that other factors are held constant

- 4 What is the outcome for consumers and workers as a result of increased division of labour?

	consumers	workers
A	less choice of goods	wider range of skills
B	fewer mass-produced goods	wider variety of tasks
C	lower prices of goods	increased productivity
D	lower quality of goods	increased independence