

- 1 What is likely to be greater in a planned economy than a market economy?
- A efficiency
 - B flexibility
 - C innovation
 - D stability
- 2 Which is a normative statement?
- A An increase in the rate of inflation will lead inevitably to an increase in unemployment.
 - B A reduction in unemployment below a certain level will lead to higher inflation.
 - C Inflation can be reduced only by increasing the level of unemployment.
 - D Unemployment is more harmful than inflation.
- 3 What is consistent with an individual demand curve that slopes down from left to right?
- A As price falls, a person switches away from rival products towards the product.
 - B As price falls, a person's willingness and ability to buy the product will decline.
 - C As price rises, a person becomes less sensitive to price changes.
 - D As price rises, a person's opportunity cost of purchasing the product falls.
- 4 What will cause the demand curve for domestically produced cars to shift to the left?
- A an increase in the costs of production of domestically produced cars
 - B a reduction in taxes on the purchase of cars
 - C a reduction in the tariff on imported cars
 - D a reduction in the tax on petrol