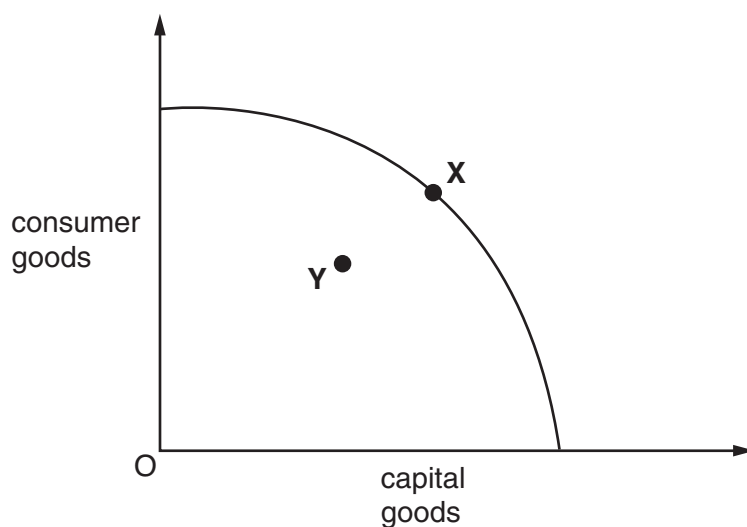


- 1 The diagram shows an economy's production possibility curve.



What will cause a movement from point **X** on the production possibility curve to point **Y** within the curve?

- A** an increase in unemployment
  - B** a fall in the size of the labour force
  - C** a reduction in the availability of land for industrial production
  - D** an improvement in technology in consumer good production
- 2 What is the opportunity cost to society of employing workers who would otherwise have no alternative employment?
- A** the wages they are paid
  - B** the social security payments they would otherwise receive
  - C** the value of the goods and services they produce
  - D** zero
- 3 Which of the following is a normative statement?
- A** Inflation can be reduced only by increasing the level of unemployment.
  - B** An increase in the rate of inflation will lead inevitably to an increase in unemployment.
  - C** Unemployment is more harmful than inflation.
  - D** If unemployment is reduced below a certain level, this will lead to higher inflation.