

- 1 What is the opportunity cost to a person of spending \$20 on a new pair of sports shoes?
- A all the other things the person could have bought
  - B the cost of getting to the sports shop
  - C the current value of his old pair of shoes
  - D the next best thing that could have been bought with the \$20
- 2 Which statement is correct?
- A In the short run all factors of production are fixed; in the long run all factors are varied.
  - B In the short run at least one factor is fixed; in the long run all factors can be varied.
  - C In the short run at least one factor is varied; in the long run all factors are fixed.
  - D In the short run at least one factor is varied; in the long run at least one factor is fixed.
- 3 What is correct at any point along an economy's production possibility curve?

	existing resources are fully employed	existing technology is fully used
A	correct	correct
B	correct	false
C	false	correct
D	false	false

- 4 'The local government of Tokyo should use a policy of taxation to reduce traffic congestion in the city centre.'

What can be concluded about this statement and the type of economic policy?

	statement	type of policy
A	normative	macro
B	normative	micro
C	positive	macro
D	positive	micro