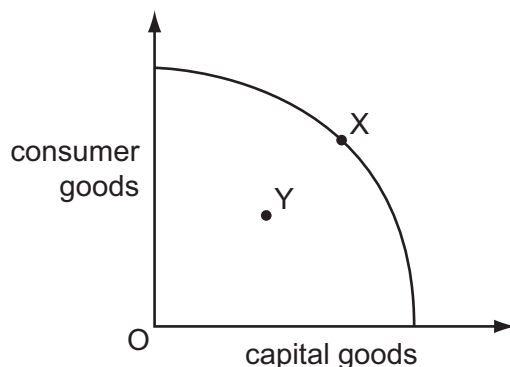


- 1 The diagram shows a production possibility curve for an economy.



Assuming that the production possibility curve remains unchanged, what is the most likely reason for the movement from point X to point Y?

- A a civil war causing a widespread loss of resources
 - B a permanent fall in productivity in both capital and consumer goods
 - C a rise in unemployment due to a recession
 - D the exhaustion of a natural resource
- 2 What is an example of the factor of production capital?
- A a bank account held by a small firm to be used for future purchases
 - B a forest of hardwood trees ideal for furniture making
 - C the market value of a company's shares
 - D word processing software used by a writer to complete her new book
- 3 What is the opportunity cost to an unemployed worker who becomes employed?
- A the leisure they would otherwise have had
 - B the value of the goods and services they produce
 - C the wages they are paid
 - D zero
- 4 Which statement is normative?
- A As a general rule, people are happier in more equal societies.
 - B Despite a large increase in income per head, people are no happier today than they were 50 years ago.
 - C Happiness depends not on the absolute level of a person's income but on his relative income.
 - D The promotion of happiness is a more important goal than the maximisation of production.