

- 1** An economy is operating at a point inside its production possibility curve.

Why is this described as inefficient?

- A** Individuals are enjoying too much leisure.
- B** More of one good can be produced without decreasing production of another.
- C** The combination of labour and capital is wrong.
- D** There are shortages of some goods and an excess supply of others.

- 2** What is characterised as a free good?

- A** one that has zero opportunity cost
- B** one that is non-excludable and non-rivalrous
- C** one that is supplied by the government with no charge
- D** one that receives a 100% government subsidy

- 3** A country is moving from a planned economy to a market economy. The government previously provided transport services but has now sold these to private firms.

What is a consequence of this?

- A** Government ownership of resources has increased.
- B** Services provided by the public sector have increased.
- C** There has been an increase in central planning.
- D** There has been an increase in consumer sovereignty.

- 4** A government wants to prevent the spread of an infectious disease by vaccinating all children.

Why might vaccination be classified as a merit good?

- A** The benefit to society is equal to the benefit received by the individual.
- B** The good is excludable.
- C** The good is not vital.
- D** The good would otherwise be under-consumed.