

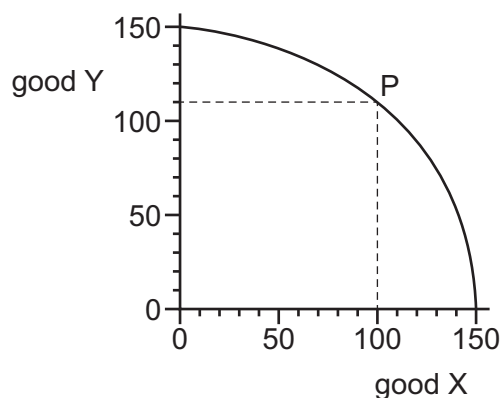
1 What is an example of the use of *ceteris paribus*?

- A The rate of increase in wage rates equals the rate of increase in price levels.
- B There is a constant rise in both wage rates and price levels.
- C Wage rates and the price level remain constant at their original levels.
- D Wage rates rise when the only change is a rise in prices.

2 What is always true of a positive statement?

- A It is based on statistical data.
- B It is possible to test its validity.
- C It is the only basis for economic policy.
- D It overrides any normative statement.

3 The diagram shows a production possibility curve for an economy that is producing at point P.



Which quantity of Y is given up to produce the quantity of X shown?

- A 40
- B 50
- C 100
- D 110

4 What is an accurate statement about different types of goods?

- A Free goods are offered for sale at a loss-making price.
- B Merit goods generate more consumer surplus than producer surplus.
- C Private goods can be consumed with no opportunity cost.
- D Public goods can be used by additional consumers with no extra production cost.