

- 1 What distinguishes capital from other factors of production?
  - A Capital exists only in capitalist market economies.
  - B Capital results from the operation of the other factors.
  - C The rewards earned by the owners of capital are uncertain.
  - D Unlike labour or land, capital must be owned rather than hired or rented.
  
- 2 What is likely to be greater in a planned economy than a market economy?
  - A efficiency
  - B flexibility
  - C innovation
  - D stability
  
- 3 Which is a normative statement?
  - A An increase in the rate of inflation will lead inevitably to an increase in unemployment.
  - B A reduction in unemployment below a certain level will lead to higher inflation.
  - C Inflation can be reduced only by increasing the level of unemployment.
  - D Unemployment is more harmful than inflation.
  
- 4 What is consistent with an individual demand curve that slopes down from left to right?
  - A As price falls, a person switches away from rival products towards the product.
  - B As price falls, a person's willingness and ability to buy the product will decline.
  - C As price rises, a person becomes less sensitive to price changes.
  - D As price rises, a person's opportunity cost of purchasing the product falls.
  
- 5 What will cause the demand curve for domestically produced cars to shift to the left?
  - A an increase in the costs of production of domestically produced cars
  - B a reduction in taxes on the purchase of cars
  - C a reduction in the tariff on imported cars
  - D a reduction in the tax on petrol