

1 Why does a production possibility curve exist for every economy?

- A Resources are unlimited.
- B Resources have alternative uses.
- C Some resources can be imported.
- D Some resources may be unemployed.

2 Which statement is a normative statement?

- A Aggregate demand will increase following a decrease in interest rates.
- B A rise in unemployment will decrease inflationary pressures.
- C The incentive to work will rise if benefit payments are reduced.
- D Unsustainable economic growth is more harmful to the economy than hyperinflation.

3 Which combination best describes the basic economic problem?

	resources	wants
A	limited	limited
B	limited	unlimited
C	unlimited	limited
D	unlimited	unlimited

4 What is the **main** reason an economy is unlikely to rely completely on market forces to allocate resources?

- A Demerit goods will be over supplied.
- B Merit goods will be under supplied.
- C Private goods will not be supplied.
- D Public goods will not be supplied.

5 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 the person's old pair of shoes
- D the next best thing that could have been bought with the \$20