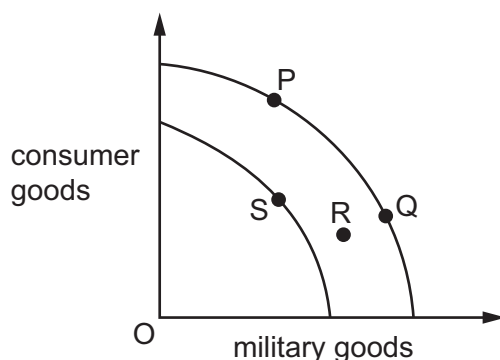


- 1 By 2030, as the human population grows, the world will need at least 50% more food, 45% more energy and 30% more water from the same resources.

What does this statement directly indicate?

- A comparative advantage
 - B merit goods
 - C negative externalities
 - D the economic problem
- 2 A country was at point P on its production possibility curve. Following the threat of invasion it prepared for war. The war then reduced the country's infrastructure.



What are the most likely changes on the production possibility curve diagram that are consistent with these events?

- A P to Q followed by Q to R
 - B P to Q followed by Q to S
 - C P to R followed by R to Q
 - D P to R followed by R to S
- 3 Which is a normative statement?
- A A reduction in unemployment below a certain level will lead to higher inflation.
 - B An increase in the rate of inflation will lead inevitably to an increase in unemployment.
 - C Inflation can be reduced only by increasing the level of unemployment.
 - D Unemployment is more harmful to economic welfare than inflation.