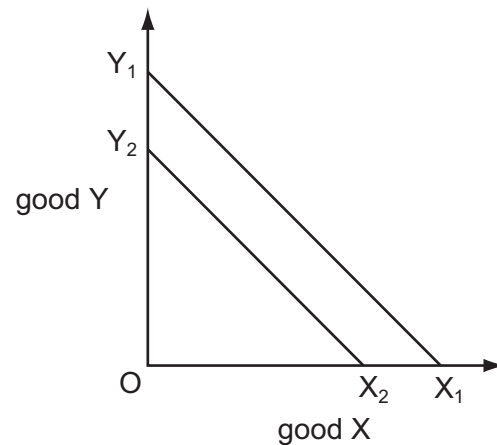


- 1 The diagram illustrates the production possibility curves for an economy in Year 1 (X_1 Y_1) and Year 2 (X_2 Y_2).



What can be concluded from the diagram?

- A The cost of production was lower in Year 2 than in Year 1.
 - B The full employment level of output was lower in Year 2 than in Year 1.
 - C The opportunity cost of production was lower in Year 2 than in Year 1.
 - D Unemployment rose between Year 1 and Year 2.
- 2 What does the concept of ceteris paribus allow economists to do?
- A calculate the monetary value of consumer surplus
 - B distinguish between economic and free goods
 - C distinguish between normative and positive statements
 - D isolate the effect of one variable on another variable