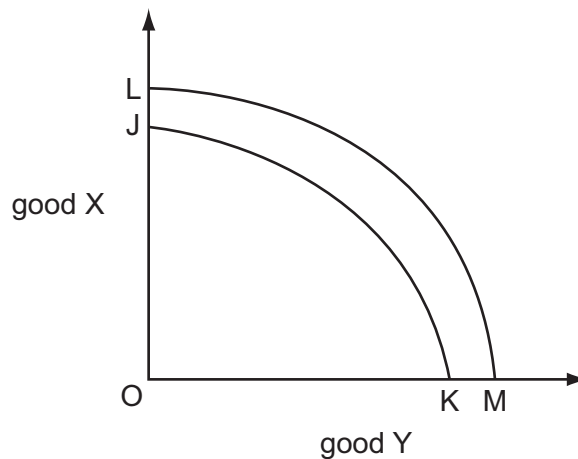


- 1 The term 'transition economy' is used to describe a country that is
- A adopting capital-intensive methods in place of labour-intensive methods.
  - B moving from central planning towards the market system.
  - C replacing a trade deficit with a trade surplus.
  - D substituting manufacturing output for agricultural output.
- 2 In the diagram, the curve JK is a country's production possibility curve.



What could cause the curve to shift to LM?

- A a decrease in the participation rate
  - B a decrease in the unemployment rate
  - C an increase in the dependency ratio
  - D an increase in the population of working age
- 3 What is the opportunity cost to a fully employed economy of increasing capital investment?
- A a fall in consumption
  - B a fall in income
  - C a rise in saving
  - D a rise in the rate of interest