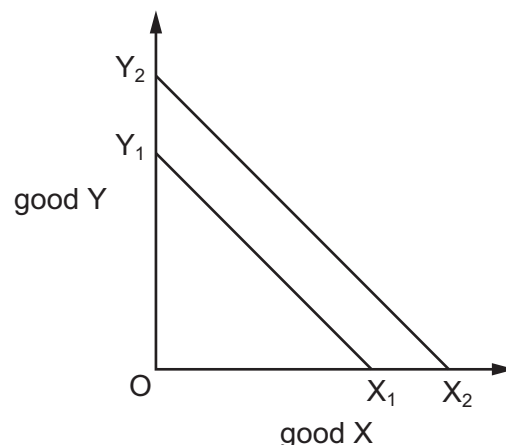


- 1 What is likely to occur as a result of a permanent rise in unemployment resulting in loss of skills?
- A a reduction in the economy's long-run production possibility
 - B a reduction in the scarcity of resources
 - C an increase in the cost of allocating resources
 - D an increase in the number of adults experiencing the economic problem
- 2 What is likely to be the short-run consequence of replacing central planning with a market-based system?
- A a decrease in the rate of inflation
 - B a lower rate of return on capital investment
 - C a more equal distribution of income and wealth
 - D an increase in the level of unemployment
- 3 The diagram illustrates the production possibility curve of an economy in Year 1 (X_1 Y_1) and in Year 2 (X_2 Y_2).



What can be concluded from the diagram?

- A The cost of production was higher in Year 2 than in Year 1.
- B The full employment level of output was higher in Year 2 than in Year 1.
- C The opportunity cost of production was higher in Year 2 than in Year 1.
- D Unemployment was higher in Year 2 than in Year 1.