

- 1 What distinguishes capital from other factors of production?
 - A Capital exists only in capitalist market economies.
 - B Capital results from the operation of the other factors.
 - C The rewards earned by the owners of capital are uncertain.
 - D Unlike labour or land, capital must be owned rather than hired or rented.

- 2 What is likely to be greater in a planned economy than a market economy?
 - A efficiency
 - B flexibility
 - C innovation
 - D stability

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

- 4 What is consistent with an individual demand curve that slopes down from left to right?
 - A As price falls, a person switches away from rival products towards the product.
 - B As price falls, a person's willingness and ability to buy the product will decline.
 - C As price rises, a person becomes less sensitive to price changes.
 - D As price rises, a person's opportunity cost of purchasing the product falls.

- 5 What will cause the demand curve for domestically produced cars to shift to the left?
 - A an increase in the costs of production of domestically produced cars
 - B a reduction in taxes on the purchase of cars
 - C a reduction in the tariff on imported cars
 - D a reduction in the tax on petrol