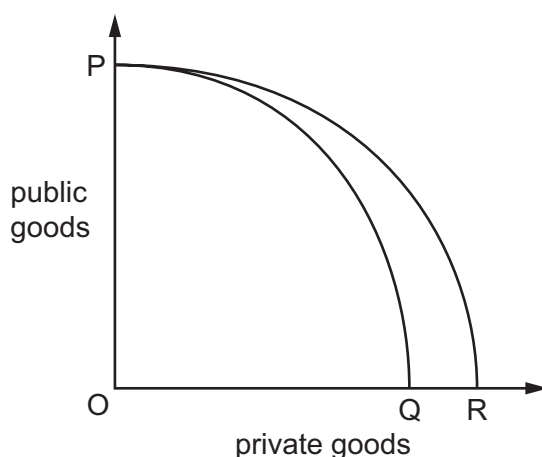


- 1 What is the fundamental assumption of the economic problem?
- A Factors of production are finite.
 - B Individuals are the best judges of their own wellbeing.
 - C Individuals can be relied upon to behave rationally.
 - D The principal aim of private firms is profit maximisation.
- 2 To improve their economic performance, Eastern European countries have switched from planned economies to mixed economies.

What is likely to be the most common outcome of such a change?

- A short-term and long-term success in improving economic performance
 - B short-term and long-term failure in improving economic performance
 - C short-term failure and long-term success in improving economic performance
 - D short-term success and long-term failure in improving economic performance
- 3 The diagram shows the change in a country's production possibility curve from PQ to PR.



What increases as a result of the change from PQ to PR?

- A the price of private goods
- B the price of public goods
- C the opportunity cost of private goods
- D the opportunity cost of public goods