10 What is an example of direct provision by a government?

A The government introduces a subsidy on renewable fuels to help the environment.

B The government introduces a unit tax on cigarettes to discourage consumption.

C The government sets a maximum rent on housing to protect tenants.

D The government takes over a private library to improve local services.

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29 An economy specialises in the production of one product. It exports this product to obtain another product.

Which type of diagram can show the combinations of these products?

A the production possibility curve

B the aggregate demand curve

C the principle of absolute advantage

D the trading possibility curve

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3 **(a)** With the help of a diagram, explain the difference between a movement along a production possibility curve (PPC) and a shift of this curve **and** consider whether a decision to produce more of one product will always incur an equal opportunity cost. [8]

(b) Assess the extent to which it is always necessary to increase the size of the labour factor of production in order to cause an outward shift of the production possibility curve. [12]

Section C

Answer **one** question.

EITHER