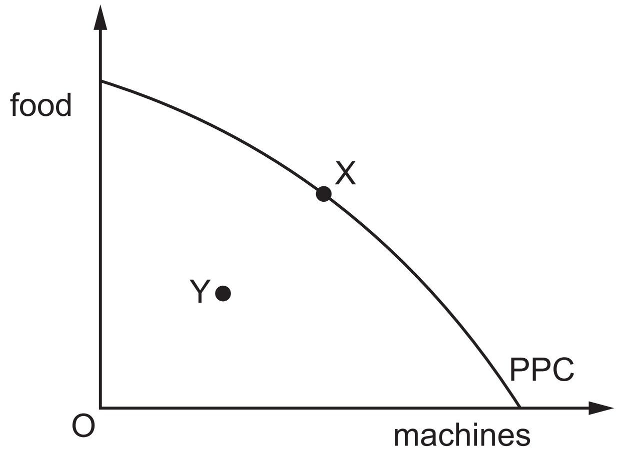
3 The diagram shows a country's production possibility curve (PPC).



What would cause a movement from point X to point Y?

A decrease in productivity

B decrease in unemployment

C increase in capital investment

D increase in economic growth

21 An economy operating on its production possibility curve (PPC) enters a recession that causes unemployment. As the recession gets worse some unemployed workers emigrate in search of jobs overseas.

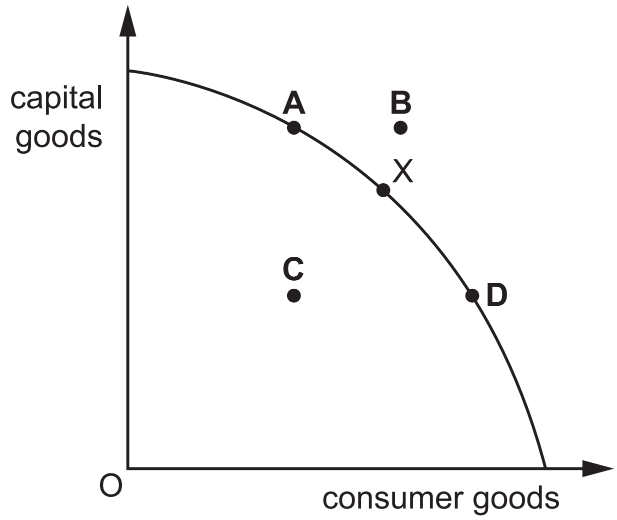
How are these effects of the recession shown on a diagram of the economy's PPC in the short-term and the long-term?

	short-term effect on the PPC diagram	long-term effect on the PPC diagram
A	movement to a point inside the PPC	movement to a point inside the PPC
B	movement to a point inside the PPC	shift of PPC to the left
C	shift of PPC to the left	movement to a point inside the PPC
D	shift of PPC to the left	shift of PPC to the left

3 A country is producing at point X on its production possibility curve (PPC) which shows how it can allocate its production between capital goods and consumer goods.

A period of recession then causes some of its factories to close.

Which point could represent the country's new position?



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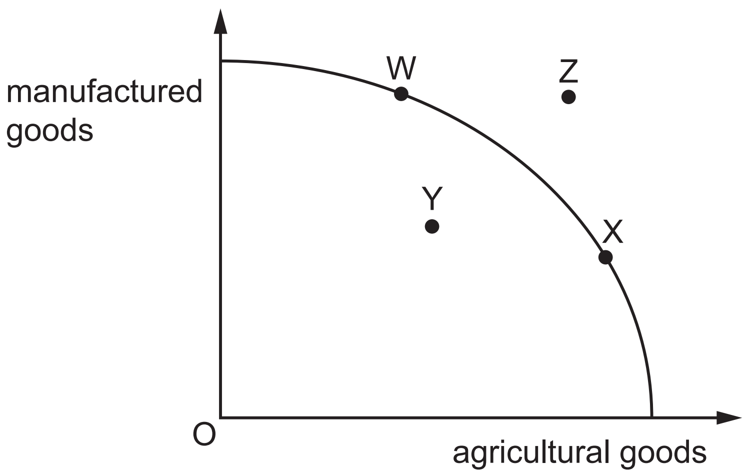
3 The diagram shows a production possibility curve (PPC). The economy is using all of its available resources.

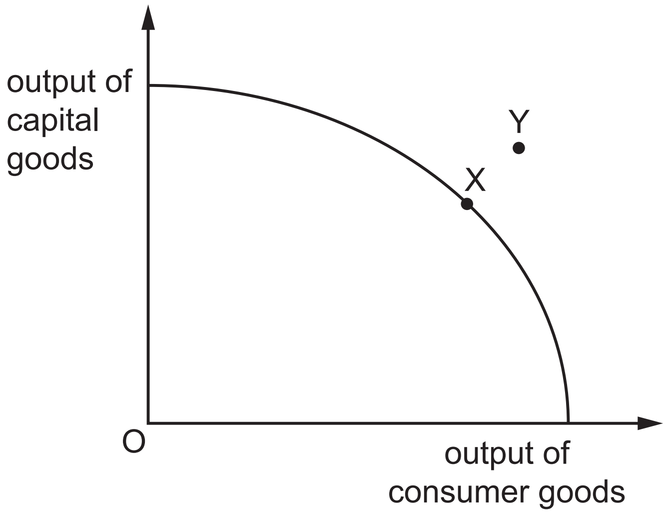


A government decides to encourage more production of manufactured goods instead of agricultural goods.

Which movement shows this policy change?

A W to X **B** W to Y **C** X to W **D** Z to X

3 The diagram shows the production possibility curve (PPC) for an economy that is at point X.



Which change in the economy's labour market will allow it to reach point Y?

A employed workers become more productive

B unemployed workers find new jobs

C workers emigrate for higher wages

D workers retire at younger ages

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3 In 2022, Paraguay's production possibility curve (PPC) shifted to the right. Paraguay has a mixed economic system. Its government provides merit goods and public goods. The country's private sector is a major producer of shampoo. The firms in the shampoo industry make use of division of labour. There are several firms in the industry, but the number is declining. There is a possibility that soon there may be just one firm in the industry.

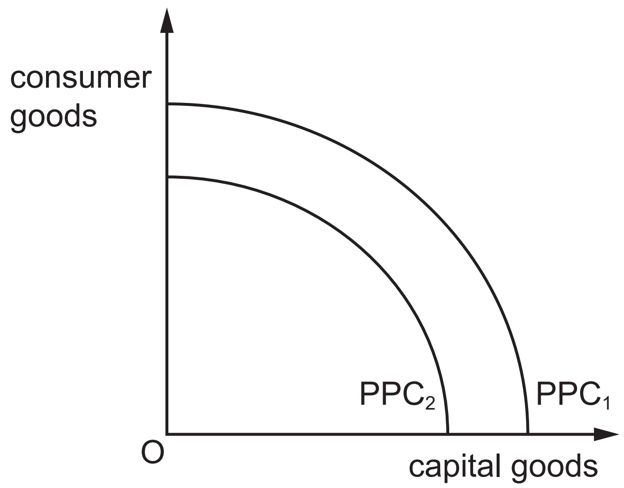
(a) Identify what is measured on the axes of a production possibility curve. [2]

(b) Explain, with an example of each, the difference between a merit good and a public good. [4]

(c) Analyse how division of labour can benefit firms. [6]

(d) Discuss whether or not consumers would benefit from only one firm producing shampoo. [8]

3 The diagram shows an initial production possibility curve of PPC_1.



What is likely to have caused the movement of the production possibility curve PPC_1 to PPC_2?

A a decline in non-renewable resources

B a decline in the opportunity cost of consumer goods

C an increase in investment

D an increase in unemployment

2 In 2021, the production point on the UK's production possibility curve (PPC) changed. Average wages increased. The average annual wage of a waiter was $23,580 while that of a chief executive of a large commercial bank was $1,617,000. A rise in wages enables people to eat in restaurants more often. Some of the food sold in UK restaurants is imported. In 2021, the UK government signed free trade agreements, removing import restrictions, with a number of countries.

(a) Identify **two** places where a production point could be located on a PPC diagram. [2]

(b) Explain **two** reasons why someone may switch from eating in one restaurant to eating in another restaurant. [4]

(c) Analyse why the wage of a chief executive of a large commercial bank is higher than that of a waiter. [6]

(d) Discuss whether or not free trade will increase economic growth. [8]