Answers to Questions for Review

2.1  (a) The end of the production possibility frontier (PPF) on the vertical axis shifts upwards.
     (b) The end of the PPF on the horizontal axis shifts to the right.
     (c) With more highly trained labour, the PPF shifts outwards.
     (d) The PPF would not move, but production would move from a point inside the PPF to a point closer to the PPF.

2.2  (a) This is a resource allocation policy which aims to have more resources used for rail travel.
     (b) This is modifying a redistribution policy so that it will redistribute less to some groups of people.
     (c) This is a stabilization policy, aimed at reducing unemployment; it should in time raise the incomes of some people who are now unemployed, but this does not make it a redistribution policy, because it will not raise their incomes by making anyone else worse off.
     (d) This is a redistribution policy which aims to help students at the expense of taxpayers generally, and it can also be seen as a resource allocation policy, because it presumably aims also to encourage more people to become students, which will increase the fees paid to universities and lead to them using more resources; it might even be seen as a stabilization policy, because it may aim to make young people better qualified and so more likely to find jobs and less likely to be unemployed.
2.3  (a) is a true positive statement;

(b) is a false positive statement;

(c) is a normative statement;

(d) is a false positive statement.