

**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]