Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

Paper 1 Multiple Choice **May/June 2021**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

© UCLES 2021

1 A government department provides milk at no charge to very low income families.

Which term best describes the milk?

A free good

B inferior good

C private good

D public good

2 Which statement is a normative statement?

A China has never had a balance of payments surplus.

B Higher interest rates might reduce investment.

C Perfect competition is allocatively efficient.

D Welfare payments should be increased.

3 What do economists regard as the reward for taking risks and organising production?

A enterprise

B interest

C wages

D profit

4 The British pound is the national currency of the UK. In Brixton in south London it is possible to get a distinctively marked currency called the Brixton pound from special cash machines. This can be spent with 150 local shopkeepers. Similar schemes are found in towns in the US, Italy and France.

Should Brixton pounds be considered money?

A no, because it is not possible to have two currencies in a country

B no, because they are not generally acceptable outside of Brixton

C yes, because some shopkeepers are willing to accept them

D yes, because they fulfil all the functions of money

© UCLES 2021

5 When stating the law of demand for a good, economists use the phrase 'all other things being equal'.

What is **not** one of these 'all other things'?

A the income of the consumer

B the price of other goods

C the price of the good

D the tastes of the consumer

6 What will **not** cause a shift in the market supply curve of a commodity?

A a change in technology

B a rise in the price of a factor input

C a rise in the price of the commodity

D the introduction of a specific tax on the commodity

7 A product has a low price elasticity of supply.

What might explain this?

A The product has a low opportunity cost.

B The product is highly perishable.

C The product is classed as an inferior good.

D The product is considered to be a necessity.

8 A car manufacturer estimates that the price elasticity of supply of its cars is +2.5.

What will be the impact of a 10% increase in price?

A a 2.5% fall in total revenue

B a 25% rise in total revenue

C a 2.5% fall in quantity supplied

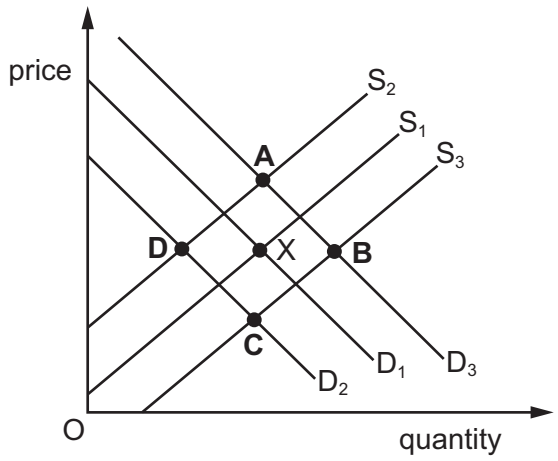
D a 25% rise in quantity supplied

© UCLES 2021

9 The diagram shows the original demand curve D_1 and supply curve S_1 for diesel cars in Europe. Point X is the initial equilibrium.

There is a successful advertising campaign by electric car producers and a new unit tax on diesel cars.

What will be the new equilibrium?



10 A UK based food company wishes to diversify its product range. To finance this, it has obtained a $10m loan from a bank to buy land, build and equip a bakery.

What would **not** be classified by an economist as a factor of production?

A the $10m loan used to finance the project

B the land on which the bakery will be built

C the ovens required to bake the bread

D the soya used in the making of the bread

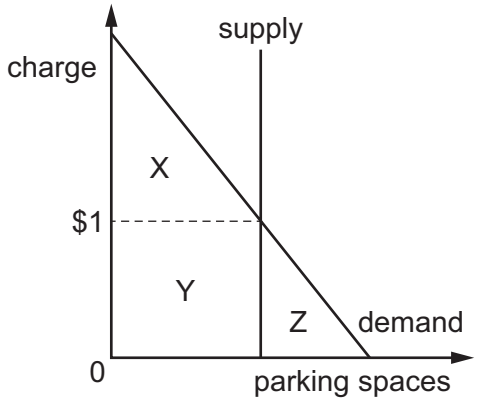
11 A country's central bank has commissioned a report on the demand for and price of houses.

What might be the **most** likely combination of reasons for an increase in the price and quantity demanded of houses?

	incomes	interest rates	wages of bricklayers
A	down	unchanged	up
B	down	up	unchanged
C	unchanged	up	down
D	up	down	unchanged

© UCLES 2021

12 The diagram shows the outcome when a landowner, who had allowed motorists to park on his field at no cost, introduces a parking charge of $1.



What happens as a result of the change?

A The landowner gains a surplus of Y + Z.

B The motorist gains a surplus of X + Y.

C The ownership of surplus Y changes.

D There is a total surplus of X + Y + Z.

13 The table gives information about the market for two models of car.

model	number of cars sold per week	cross elasticity of demand with respect to the price of petrol
1200 cc	10 000	–0.25
2000 cc	5 000	–0.50

If the prices of the cars remain unchanged, but the price of petrol increases by 100%, what will be the effect on the number of cars sold per week?

A increase by 5000

B no change

C decrease by 5000

D decrease by 15 000

14 In many countries there are goods that must be provided directly by the government.

What would be the most convincing argument for such provision?

A The consumption of these products may be beneficial.

B The production of these products may be harmful.

C The production of these products have high opportunity costs.

D These products are non-rival in consumption and non-excludable.

15 The provision of rail services is switched from the private sector to the public sector.

What is necessarily correct?

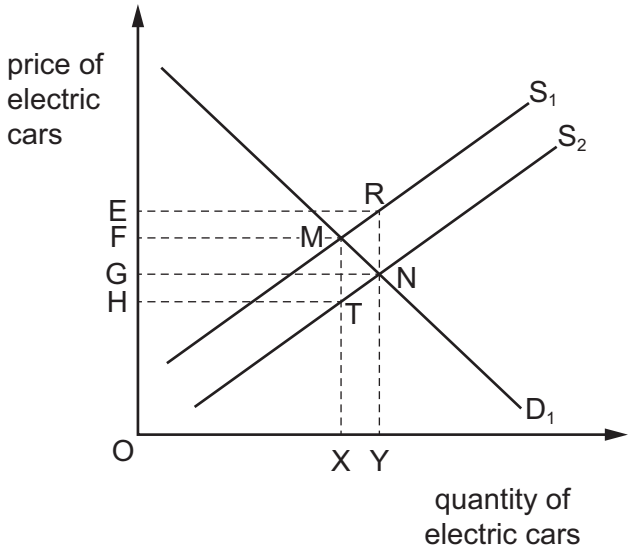
A The average fare charged for the service will fall.

B The profitability of the service will fall.

C The rail service's management will be responsible to different owners.

D There will be an increase in the number of workers employed.

16 The diagram represents the original demand curve D_1 and the original supply curve S_1 for electric cars. The government decides to provide a subsidy to electric car manufacturers.



Which area represents the total revenue of the car manufacturer after receiving the subsidy from the government?

A OERY **B** OFMX **C** OGNY **D** OHTX

17 A government decides to build additional public sector housing to be rented to people receiving low incomes.

What is most likely to fall as a result of this increase in public sector housing?

A employment in the construction industry

B land prices in towns and cities

C rents of houses in the private sector

D total government spending

© UCLES 2021

18 Government spending for a year includes these items.

	$m
pensions for elderly people	200
welfare payments to sick people	200
spending on hospitals	150
payment to unemployed workers	100
defence spending	100
teachers' salaries	50

What is the total of transfer payments by this government in $m?

A 50 **B** 500 **C** 750 **D** 800

19 What would be certain to cause a fall in a country's cost of living?

A a fall in real incomes

B a fall in the inflation rate

C a negative inflation rate

D a reduction in direct tax rates

20 What is **not** an aim of protectionism?

A to improve balance of trade

B to increase price of exports

C to protect infant industries

D to reduce the volume of imports

21 A country with a fixed exchange rate experiences a higher rate of inflation than its trading partners.

What is the likely effect on the country's volume of exports and imports?

	exports	imports
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

22 A sudden rise in the price of imported oil caused the annual rate of inflation in a given period to be higher than expected.

What might be a likely result of this?

A Borrowers would gain.

B Real wages would rise.

C The balance of trade would improve.

D Unemployment would fall.

23 What may increase the benefits a country gains from international trade?

A a reduction in transportation costs because of a fall in world oil prices

B domestic wage rates increase at a faster rate than output per worker

C the domestic labour force becomes more occupationally immobile

D trading partners increase tariffs on imported goods

24 The world trade price of cars in country Y is US$10 000. At this price domestic car producers supply 100 000 cars to the market and domestic consumers purchase 200 000 cars. The government of country Y imposes a 10% tariff on imported cars.

Under which conditions will this tariff raise the most revenue for the government?

	price elasticity of supply of car producers in country Y	price elasticity of demand for cars in country Y
A	+0.5	–0.5
B	+0.5	–1.5
C	+1.5	–0.5
D	+1.5	–1.5

25 A country has a balance of trade deficit.

When will this be **least** likely to be improved as a result of a depreciation of its currency?

A if it is currently operating with a significant amount of unused resources

B if the sum of the price elasticities of demand for exports and imports is less than 1

C if in the long term, the price elasticity of demand for exports should increase

D if the country uses a relatively small proportion of imports in their production process

26 Which statement about trade protection is correct?

A A tariff results in a greater decrease in demand for an import the lower is its price elasticity of demand.

B Embargoes are only an effective trade barrier when the demand for imports is price-elastic.

C Export subsidies to domestic firms will prevent the dumping of foreign products in the domestic market.

D Quotas are less effective than tariffs for raising government revenue.

27 Which type of policy would have the most immediate effect in dealing with a deflationary economic downturn?

A increasing the government's budget surplus

B increasing borrowing by assisting banks to lend more

C investing in long-term projects to improve transport networks

D switching the burden of taxation from earning to spending

28 Which combination identifies a main aim of supply-side policy and a measure used to achieve this target?

	main aim	policy measure
A	economic growth	deregulation
B	full employment	increasing the money supply
C	income equality	more progressive taxation
D	stable prices	decreasing interest rates

29 Deflation is associated with persistent falling price levels.

Which government policy would be most effective to prevent deflation?

A imposing maximum price levels on basic foodstuffs

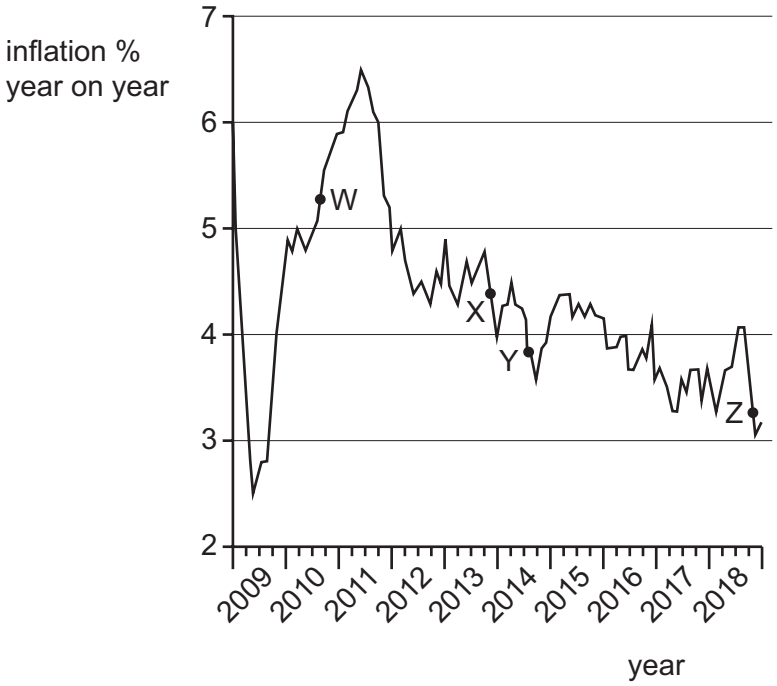
B improving consumer confidence by reducing sales taxes

C increasing income tax rates and increasing government borrowing

D removing economic uncertainty and encouraging business investment

© UCLES 2021

30 The graph shows inflation rates over 10 years for selected emerging economies.



Government central banks set target minimum inflation rates before readjusting interest rates to stabilise the economy.

If the minimum inflation rate target set by central banks was 4% per year, at which points would they allow interest rates to fall?

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

© UCLES 2021

BLANK PAGE

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.