Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/31**

Paper 3 A Level Multiple Choice **May/June 2023**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

8369235397

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.

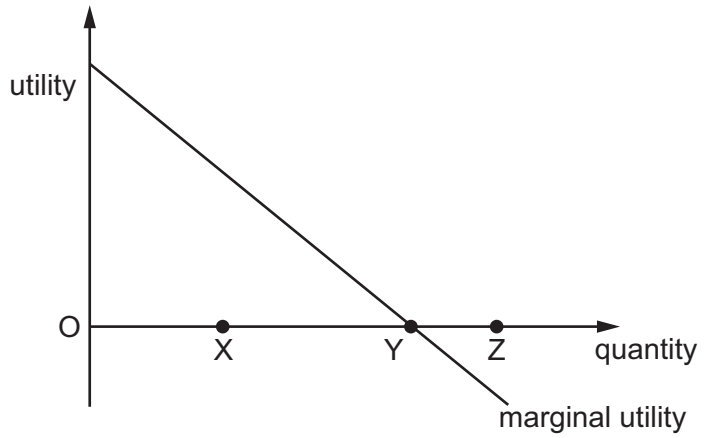
INFORMATION

- 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.

This document has **12** pages. Any blank pages are indicated.

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1 What does the marginal utility diagram show?



A Total utility becomes negative if the quantity consumed increases from Y to Z.

B Total utility decreases if the quantity consumed increases from X to Y.

C Total utility decreases if the quantity consumed increases from Y to Z.

D Total utility is maximised at X.

2 The initial allocation of goods between three consumers is shown.

consumer 1	consumer 2	consumer 3	total
2	5	10	17

Which row shows a Pareto improvement in the allocation of goods between consumers?

	consumer 1	consumer 2	consumer 3	total
A	2	5	11	18
B	4	5	9	18
C	4	4	10	18
D	6	6	6	18

3 Which assumption in relation to an indifference theory diagram is **not** correct?

A The consumer's income may change.

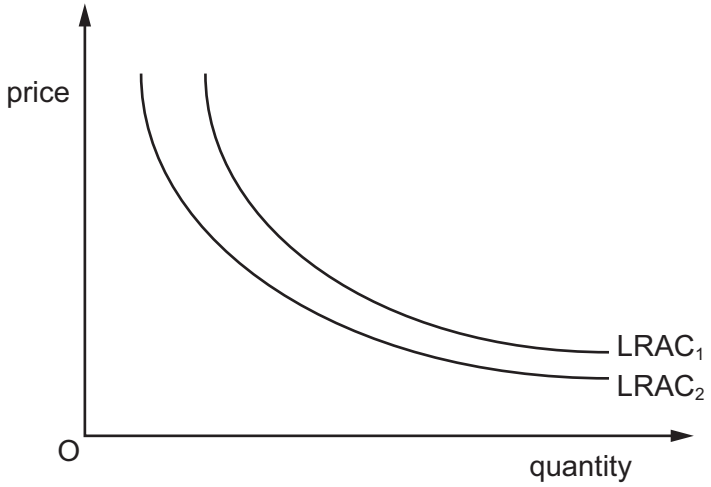
B The consumer may change their satisfaction-maximising objective.

C The consumers may change their tastes and preferences.

D The relative prices of products may change.

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4 Which type of efficiency is shown by the shift from long-run average cost curve 1 ($LRAC_1$) to long-run average cost curve 2 ($LRAC_2$)?



A allocative

B dynamic

C Pareto

D productive

5 A firm wishes to maximise its revenue.

Which condition must be met to achieve this goal?

A average cost = average revenue

B marginal cost = average revenue

C marginal cost = marginal revenue

D marginal revenue = zero

6 The costs and revenue of four firms operating in a monopolistically competitive market are shown.

firm	total variable cost $m	total fixed cost $m	total revenue $m
W	20	10	15
X	40	50	80
Y	300	300	500
Z	600	100	550

Which firms will continue to operate in the short run but will shut down in the long run?

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

7 A firm at its current level of production finds that its short-run marginal cost is less than its short-run average variable cost.

Which conclusion about the firm can be drawn from this information?

A Average variable cost is constant.

B Average variable cost is falling.

C Average variable cost is greater than its average total cost.

D Average variable cost is rising.

8 Steel producer X takes over its main competitor, steel producer Y.

What would X expect to happen to the price elasticity of demand for its product and its long-run average cost as a result of this takeover?

	price elasticity of demand	long-run average cost
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

9 What is an example of an external cost?

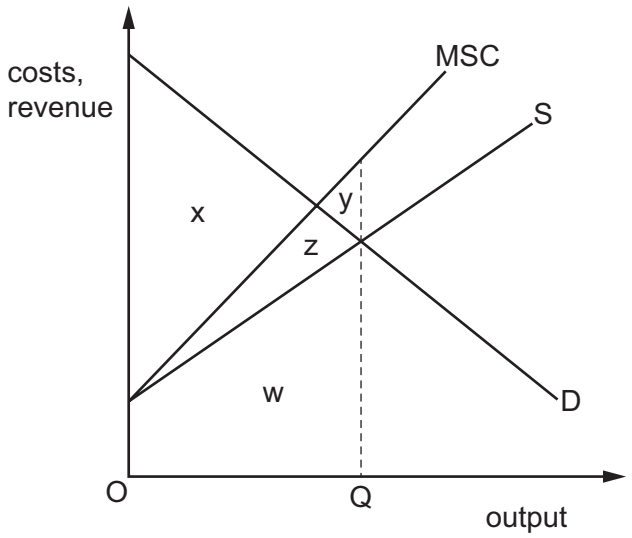
A distribution costs

B energy costs

C labour costs

D road congestion costs

10 The diagram shows the demand for and supply of a good and the marginal social costs (MSC) for that good.



Assuming there are no external benefits, which area measures the net social benefit at output OQ?

A x **B** x – y **C** x + y **D** x – y – z

11 What would definitely result from the divorce of ownership and control?

A decreased moral hazard

B the principal agent problem

C greater productive efficiency

D increased profit maximisation

12 One reason for market failure is the existence of public goods.

Which policy option is appropriate for addressing such a market failure?

A direct provision of the good by the government

B provision of detailed information to consumers

C subsidising firms that currently produce the good

D the adoption of maximum price controls

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13 In 2020, the governor of California issued an order to ban the sale of new vehicles from 2035 that are powered by petrol or diesel fuel.

Which type of government policy is this?

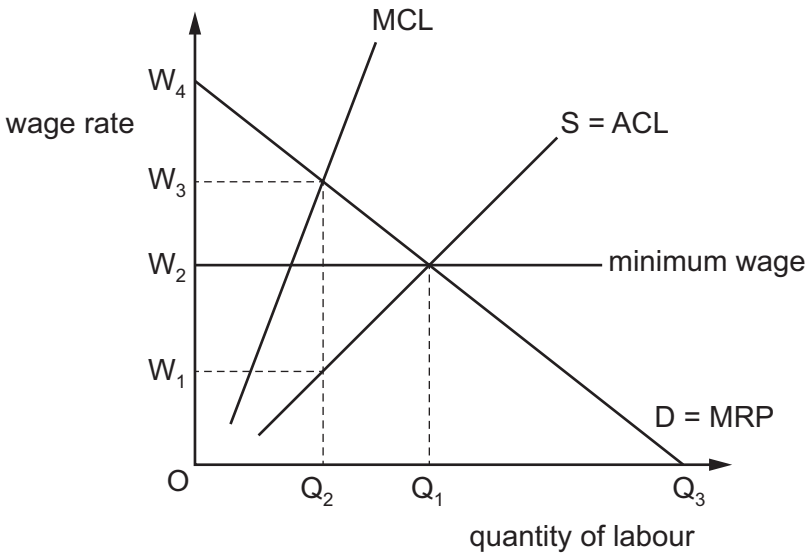
A a nudge

B a permit to pollute

C nationalisation

D regulation

14 The diagram illustrates a monopsony labour market in which the government has imposed a minimum wage.



What is the difference between the wage the monopsonist wishes to pay and the wage received by labour?

A W_1W_3 **B** W_1W_2 **C** W_2W_3 **D** W_2W_4

15 Economics textbooks state that labour is a derived demand for a firm in imperfect competition.

How is the demand curve for labour derived?

A by multiplying the average physical product by the average revenue

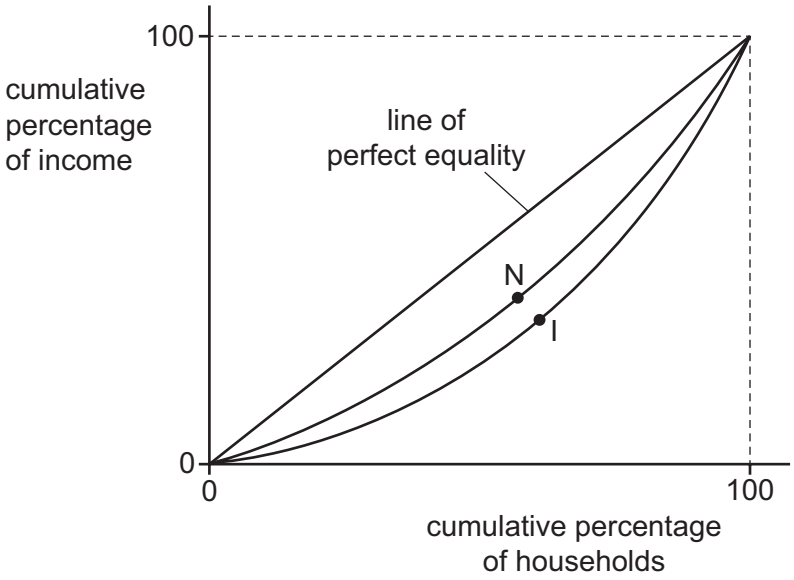
B by multiplying the average physical product by the marginal revenue

C by multiplying the marginal physical product by the marginal cost

D by multiplying the marginal physical product by the marginal revenue

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16 The diagram shows the Lorenz curves for Norway (N) and India (I).



What can be concluded from a comparison of the Lorenz curves?

A India is more likely to have lower indirect taxes and a public sector education system than Norway.

B India is more likely to have a progressive income tax system and means tested benefits than Norway.

C Norway is more likely to have a progressive tax system and public sector pensions than India.

D Norway is likely to have a higher percentage of tax generated from indirect taxes and privately funded pensions than India.

17 A reason for government intervention in the workings of the economy is to attempt to correct a market failure. Sometimes, though, government failure may occur.

What is **not** a possible reason for government failure?

A Governments may have to make decisions on the basis of out-of-date information.

B Governments may make decisions that reduce negative externalities.

C The extent of the market failure may be difficult to judge.

D When circumstances change, a government may be unable to respond quickly.

18 A government wishes to support growth in the economy's fishing industry.

Which policy is likely to achieve sustainable growth in the fishing industry?

A giving more modern fishing boats with larger nets to workers who fish for a living

B paying bonus payments for larger fish catches to workers who fish for a living

C setting up a fish cooperative so that workers who fish for a living receive a higher price for the fish that they catch

D subsidising the building of a fish farm in order to encourage workers who fish for a living to switch from sea fishing

19 Four citizens have each been unemployed for the past six months.

Which citizen would **not** be characterised as being structurally unemployed?

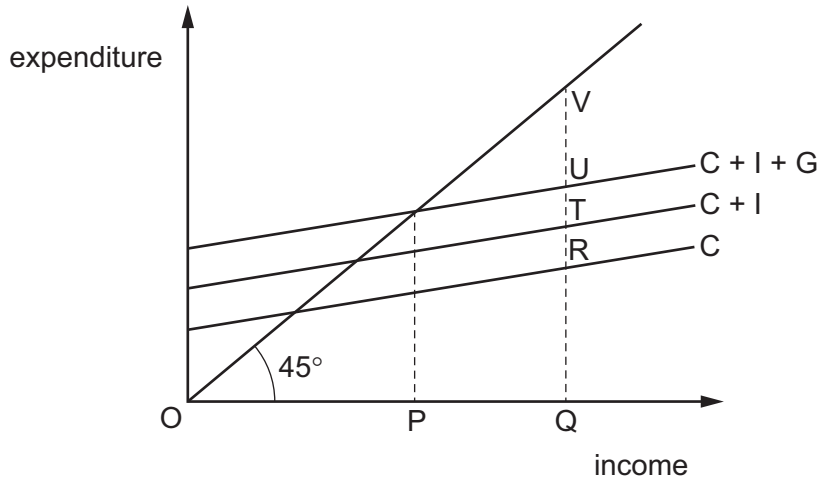
A worked as a coal miner but coal-fired power stations are now being closed and is not willing to retrain

B no longer works in a town centre coffee shop because fewer people are buying goods in the town centre since a pandemic

C cannot move with the firm that has relocated because of changing demand for its products

D has many skills and is waiting to decide which job might be the most suitable

20 In the diagram, OP is the equilibrium level of income and OQ is the full employment level of income in a closed economy.



What is the deflationary gap?

A PQ **B** RV **C** TV **D** UV

21 What is the most effective policy a government could introduce to reduce frictional unemployment?

A cut welfare spending on benefits

B improve information about job vacancies

C reduce tax rates

D raise interest rates

22 In a closed economy with no government sector, when will an increase in investment spending generate the largest increase in equilibrium national income?

A when households have a high level of autonomous consumption

B when households have a high level of compulsory saving

C when households have a high marginal propensity to consume

D when households have a high marginal propensity to save

23 Which combination of policies is most likely to increase output?

	fiscal policy	monetary policy
A	decrease budget deficit	decrease interest rates
B	decrease budget deficit	increase interest rates
C	increase budget deficit	decrease interest rates
D	increase budget deficit	increase interest rates

24 A country is a net importer of oil. World oil prices have risen over the year.

Assuming that all other factors remain the same, how is this likely to affect inflation, trade balance and unemployment in this country?

	inflation	trade balance	unemployment
A	decrease	no change	increase
B	increase	improve	decrease
C	increase	worsen	increase
D	decrease	no change	decrease

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25 What would reduce the effectiveness of a supply-side stimulus to the economy?

A an imposition of maximum hours in a working week

B an increase in public sector spending

C the provision of new training schemes

D the relaxation of import controls on raw materials

26 A multinational company (MNC) shifts its manufacturing capacity to a developing country.

What is likely to be the short-run effect of this in the developing country?

	employment increases	investment increases	short-run balance of payments current account improves
A	no	no	yes
B	no	yes	no
C	yes	no	yes
D	yes	yes	no

27 To indicate the changing income distribution, the Kuznets curve plots gross domestic product per capita against an economic variable X.

What is variable X?

A the exchange rate

B the level of income inequality

C the price level

D the rate of interest

28 Economists define the unemployed as being those who are not in work but are actively seeking work. Other groups of people in the population of working age include those classed as inactive or self-employed.

Which groups of people are included as part of a country's labour force?

	unemployed	inactive	self-employed
A	no	no	no
B	yes	no	yes
C	yes	yes	no
D	no	yes	yes

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29 The table shows some United Nations population statistics for 2010 and estimates for 2050.

type of region	total population (m) 2010	total population (m) 2050	urban population (m) 2010	urban population (m) 2050	population urbanised (%) 2010	population urbanised (%) 2050
more developed	1237	1275	930	1100	75	86
less developed	5671	7875	2556	5186	45	66
least developed	855	1673	249	914	29	55

Which relationship can be confirmed from the table?

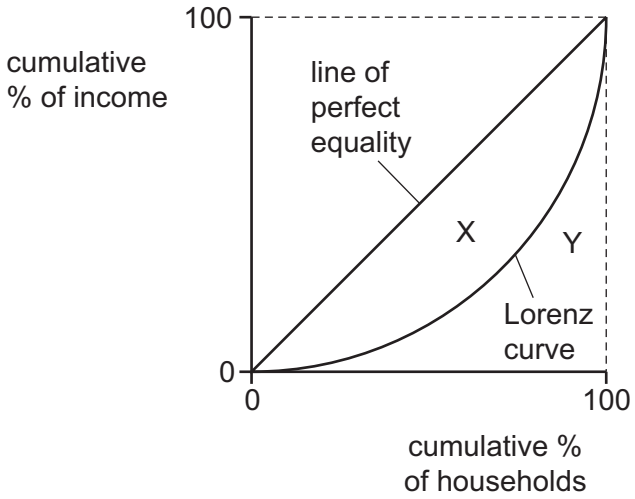
A The least developed regions have the largest urban populations, actual or predicted, in both years.

B The more developed regions have the lowest growth rate of urbanisation between 2010 and 2050.

C The type of region with the greatest total population in 2010 is predicted to have the greatest rate of population growth by 2050.

D The type of region with the greatest urban population in 2010 is predicted to have the highest level of urbanisation by 2050.

30 The diagram shows a Lorenz curve with two areas, X and Y, identified.



How is the corresponding Gini coefficient calculated?

A X divided by (X plus Y)

B (X plus Y) divided by X

C (X plus Y) divided by Y

D Y divided by (X plus Y)

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