Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/32**

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

1 hour 15 minutes

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.

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

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1 Studies show that some dentists replace patients' teeth more often than is necessary.

Which factor helps to explain why excessive dental treatment may take place?

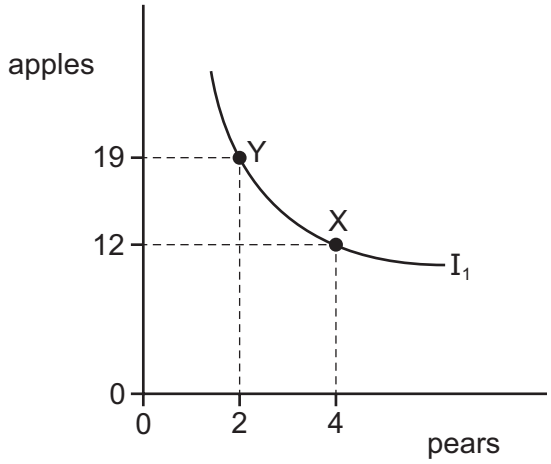
A the existence of asymmetric information

B the existence of dynamic efficiency

C the existence of positive externalities

D the existence of social benefits

2 The diagram shows an individual's indifference curve, I_1, for apples and pears.



What can be concluded from the movement from point X to point Y on this curve?

A The individual can afford more apples than pears.

B The individual has not changed their total utility.

C The individual prefers apples to pears.

D The individual has gained more utility by moving from point X to point Y.

3 What is **not** necessary for successful price discrimination?

A ability to separate markets

B different price elasticities of demand in each market

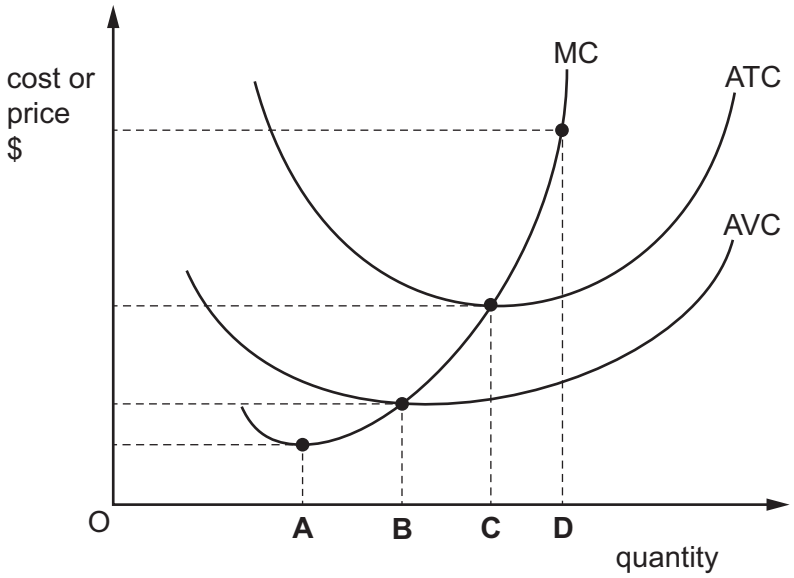
C monopoly power

D price leadership

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4 The diagram shows the cost curves of a firm.

What is the level of output below which the firm will shut down in the long run?



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

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

	average revenue	long-run average cost
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

6 Which statement is correct?

A External benefit minus private benefit equals social benefit.

B Private benefit minus external benefit equals social benefit.

C Social benefit minus external benefit equals private benefit.

D Social benefit plus private benefit equals external benefit.

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7 What can be done to help to overcome moral hazard?

A charging the same insurance premium to all people in the same age group

B designing insurance contracts so that the insurance company and client share any loss

C giving unconditional financial support to banks to protect jobs

D guaranteeing jobs for bank managers to provide a sense of security

8 Which action would produce a positive externality of production?

A A child is vaccinated against measles.

B A consumer donates products to a local food bank.

C A firm rebuilds a local road when constructing its new factory.

D A government pays a subsidy to firms producing cars.

9 A privately owned sole supplier of gas operates in an unregulated market with high barriers to entry and exit.

Which row is most likely to indicate the economic efficiency resulting from the firm's position in this market?

	productive efficiency	allocative efficiency	dynamic efficiency
A	no	no	no
B	no	no	yes
C	no	yes	yes
D	yes	no	yes

10 A government increases the protection that patents offer to inventors of new products and processes.

Which barriers to entry into an industry are higher as a result of this increase?

A cost barriers

B legal barriers

C market barriers

D physical barriers

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11 The table shows how a firm's total cost changes as more workers are employed.

number of workers	total costs $
1	1200
2	2000
3	2700

What would be the effect of employing a third worker on the firm's average costs and its marginal costs?

	average costs	marginal costs
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 A government hopes to build an athletics stadium to hold the World Games. The stadium would have high private and external costs, but it would increase national pride.

Why would it be difficult to use cost-benefit analysis to decide whether to build the stadium?

A The materials needed to build the stadium will need to be imported.

B The external costs of clearing land for building will outweigh the private costs.

C The stadium will not be used much for athletics after the World Games.

D The valuation of national pride will be complex to assess.

13 What will lead the demand curve for labour to shift to the right?

A a decrease in the marginal productivity of labour

B a decrease in the wage rate

C an increase in the marginal productivity of labour

D an increase in the wage rate

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14 The production schedule indicates how total output increases as up to five workers are employed per week.

employment of workers	total product (units)
0	0
1	6.0
2	13.0
3	21.0
4	27.5
5	33.5

What is the marginal product when the average product per worker equals 7.0 units?

A 6.0 units **B** 6.5 units **C** 7.0 units **D** 8.0 units

15 What is likely to cause a more equal distribution of income in the long run?

A a reduction in the top rate of taxation

B an increase in government spending on education and training

C an increase in unemployment

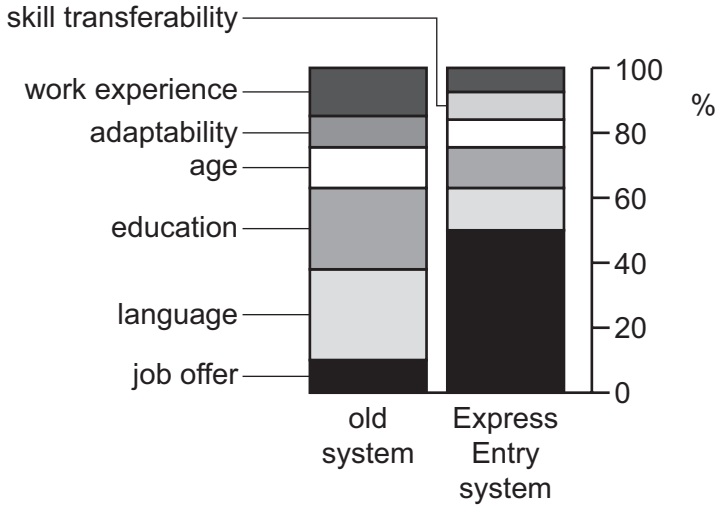
D privatisation of the education sector

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16 Immigrants are awarded entry points according to their ability to fulfil criteria set by the Canadian Government. A new Express Entry system for the immigration of skilled workers was introduced.

The diagram shows the change in the relative importance or weighting given to these criteria between the old and new systems.

Criteria weighting (%) for skilled worker immigration



What can be concluded from the diagram?

A Canada intended to maintain the same level of skilled immigrants under both systems.

B Canada wanted a smaller number of highly educated skilled immigrants.

C Certainty of employment for skilled immigrants was made the main criterion.

D Skilled immigrants needed to have fewer years of work experience than previously.

17 A government imposes a maximum price for electricity.

Which statement justifying this measure might be considered valid on economic grounds?

A It will encourage electricity suppliers to invest in additional capacity.

B It will increase the incentive for consumers to conserve energy.

C It will prevent the monopolistic exploitation of consumers.

D It will prevent the rationing of electricity through power cuts.

18 Which statement best describes demand-induced investment?

A It is spending on capital goods by firms because the rate of growth in demand for final goods and services increases.

B It is spending on capital goods by firms because the cost of borrowing has fallen.

C It is spending on capital goods by firms because they want to access new technology to improve the output per worker.

D It is spending on new capital goods by firms replacing old and obsolete capital goods.

19 Middle Eastern countries earn foreign exchange from exports of oil and natural gas. The World Economic Forum has encouraged oil producers to assist low-income countries in achieving economic growth.

Which policy by Middle Eastern countries would be **least** likely to achieve this economic growth in low-income countries?

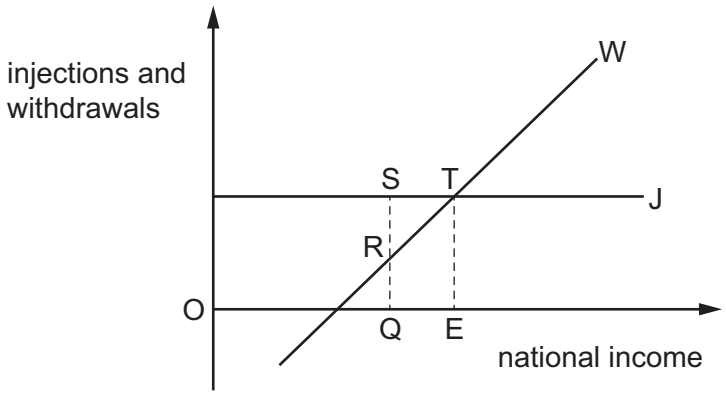
A assisting low-income countries to overcome foreign exchange shortages by writing off debts

B enabling low-income countries to undertake capital projects for supplies of clean water through financial aid

C hiring mainly labour from low-income countries to build infrastructure in the Middle East

D reducing exports of fuels to low-income countries to lower pollution of the environment

20 An open economy has injections, J, into the circular flow of income and withdrawals, W.



If the full employment level of national income is OQ, what represents the inflationary gap?

A QE **B** RT **C** SR **D** ST

21 Which condition will produce the highest value of the national income multiplier in an open economy with a government sector?

A high average and marginal tax rates

B high marginal propensity to save

C low level of autonomous consumption

D low marginal propensity to import

22 Which type of unemployment can be classified as voluntary?

A cyclical

B frictional

C structural

D technological

23 Increased borrowing by the government results in higher interest charges and this leads to less private investment expenditure.

Of what is this an example?

A an automatic stabiliser

B crowding out

C the accelerator

D the substitution effect

24 Governments set economic policy aims.

What will be **least** likely to occur if all these aims are achieved?

A a decrease in the average standard of living

B a decrease in the currency's foreign exchange rate

C an increase in the level of frictional unemployment

D an increase in the rate of inflation

25 The government decides to raise the rate of value added tax (general sales tax).

What does this suggest is the government's main macroeconomic objective?

A to reduce the budget deficit

B to reduce the inequality of income distribution

C to reduce the level of unemployment

D to reduce the rate of inflation

26 An economy imports most of the factors of production used in the manufacture of its exported goods.

What effect would depreciation of this economy's rate of exchange have?

	price of imported goods in the domestic currency	price of exported goods in the domestic currency
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

27 The table shows the Human Development Index (HDI) values for India in 2014 and 2020.

	HDI value
2014	0.60
2020	0.64

Which conclusion is most likely to be drawn from the table about the change in the HDI value from 2014 to 2020?

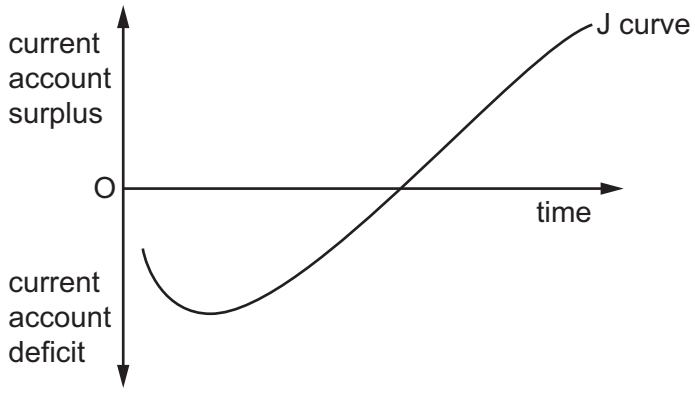
A India had a fall in life expectancy at birth.

B India had a fall in real national income per head.

C India had a rise in environmental pollution and crime rates.

D India had a rise in the mean years of schooling of the adult population.

28 The diagram shows a J curve which indicates that a fall in the exchange rate will worsen the current account position before it starts to improve.



What is said to explain this?

A a time lag before recognising that prices have changed

B an improvement in the quality of goods produced

C the demand for imports and exports is elastic in the short run

D the supply of goods is price elastic

29 Which country is likely to be the most highly developed?

	Gini coefficient	death rate	relative size of tertiary sector
A	high	high	high
B	low	low	low
C	low	low	high
D	low	high	low

30 What is central to economic growth but **not** necessarily to economic development?

A an expansion of the range of economic choices available to individuals

B an increase in Gross Domestic Product

C the eradication of absolute poverty

D the satisfaction of basic needs amongst the whole population

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