Cambridge Assessment International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/31**

Paper 3 A Level Multiple Choice **May/June 2024**

**1 hour 15 minutes**

You must answer on the multiple choice answer sheet.

*9409893281*

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.


© UCLES 2024

**1** Which statement about the concept of utility is correct?

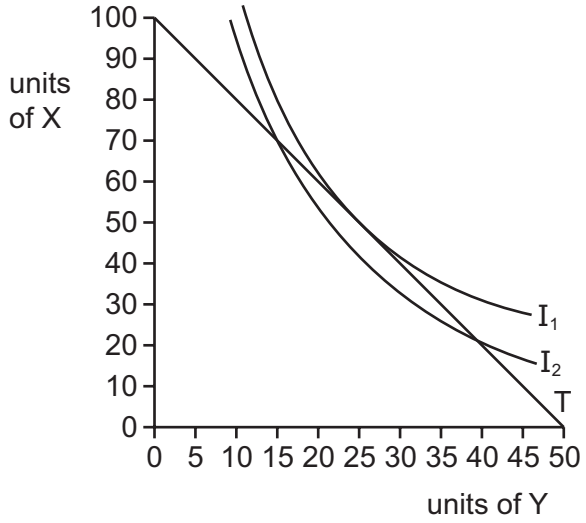
**A** Diminishing marginal utility means that producers become less efficient the more they produce.

**B** If marginal utility is above average utility, average utility must be rising.

**C** The equi-marginal principle says that a consumer gets equal total satisfaction from each item purchased.

**D** Total utility continually rises as the level of consumption rises.

**2** The diagram shows indifference curves $I_1$, $I_2$ and a budget line T.




Which combination of X and Y gives the consumer maximum satisfaction?

| | units of X | units of Y |
|---|---|---|
| **A** | 100 | 0 |
| **B** | 70 | 15 |
| **C** | 50 | 25 |
| **D** | 20 | 40 |

**3** A medical team provides vaccinations for children to prevent an outbreak of an infectious disease.

Why would this be described as a positive externality?

**A** Additional benefit might be gained as the disease no longer spreads.

**B** Any kind of medical help will improve the condition of the children.

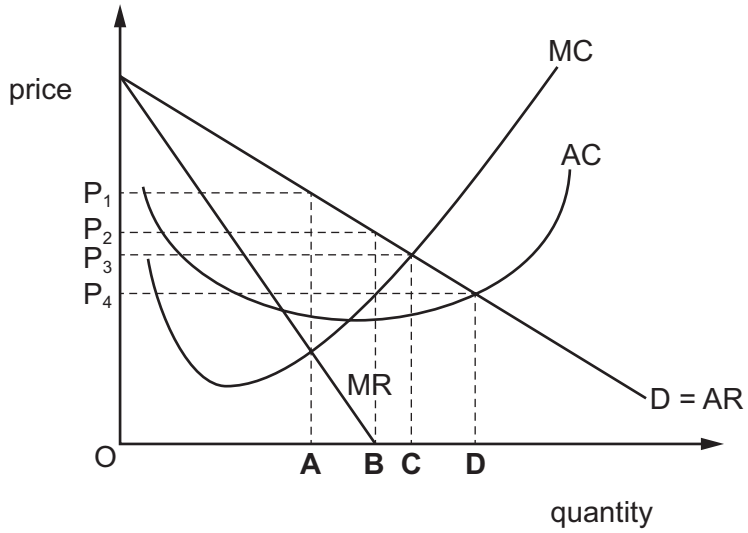
**C** No action would be taken unless the medical team intervened.

**D** The social benefits of vaccination are less than the social costs.

© UCLES 2024

**4** The diagram shows the cost and revenue curves for a firm.

Which output level will enable a firm to achieve its objective of maximising its revenue?




**5** Oligopoly firms seek to maximise profits.

How will this affect the pricing behaviour of oligopoly firms involved in a non-collusive market?

**A** A price is fixed for the product that never changes throughout its life cycle.

**B** Firms will agree on the level of advertising costs for a new product.

**C** If one firm raises its price, other firms will maintain their original price to increase their market share.

**D** If one firm lowers its price, other firms will increase their price.

**6** An economic activity definitely creates a net social benefit when the value of social benefit minus

**A** private benefit is zero.

**B** private benefit is negative.

**C** social cost is positive.

**D** social cost is negative.

**7** Which assumption is essential for a market to be contestable?

**A** The market is supplied by a large number of firms.

**B** Firms are free to enter and leave the market.

**C** Firms cannot earn abnormal profits in the short run.

**D** Firms produce differentiated goods.

© UCLES 2024

**8** A firm that raises capital through a share issue has to satisfy both shareholders' expectations and management aims. The management aims to produce at a non-profit maximum output.

Which strategy would necessarily prevent this aim?

**A** fixing output where MC = MR in the long run

**B** operating price discrimination to maximise revenue

**C** rewarding shareholders more than returns to innovation

**D** separating ownership and control of the firm

**9** A major UK chemical firm was bought by its rival, a Dutch chemical firm.

What definitely occurred when the Dutch firm bought the UK firm?

**A** a partnership

**B** economies of scale

**C** horizontal integration

**D** increased profits

**10** Which statement is correct for a firm classed as a natural monopoly?

**A** It will always operate in the public sector and earn normal profits.

**B** It will have high barriers to entry and be the dominant producer.

**C** It will easily benefit from external economies of scale.

**D** It will have higher average costs than a monopolistically competitive firm.

**11** The government can use policies to try and reduce the environmental damage caused by the amount of rubbish (garbage) created by firms and households.

Which policy to reduce rubbish is most likely to lead to government failure?

**A** an incentive payment for firms who reduce the levels of rubbish

**B** a tax on the amount of rubbish a firm or household creates

**C** an advertising campaign about the problems created by rubbish

**D** government grants to firms researching how to safely dispose of rubbish

© UCLES 2024

**12** What would supporters of a nationalised public transport service expect to be the most likely outcome from the privatisation of train and bus services?

**A** fewer destinations served by trains and buses

**B** lower fares

**C** more frequent services to all destinations

**D** more people employed in public transport services

**13** What will cause a household to be caught in the poverty trap?

**A** A household earns less than the international poverty line of $2.15 per person per day.

**B** A household spends more than it earns in a month.

**C** A household's earnings rise at a lower rate than the rise in inflation.

**D** An extra dollar earnt by a household causes a greater loss in government benefit payments.

**14** What will cause an outward shift in the demand for labour curve?

**A** a decrease in the top rate of income tax

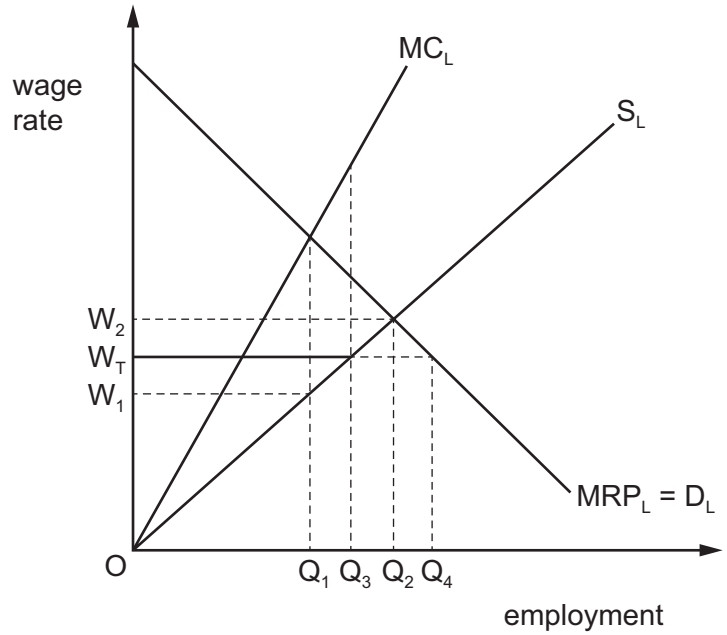
**B** an increase in the demand for the final product

**C** an increase in subsidies to firms

**D** an increase in the size of the working population

© UCLES 2024

**15** The diagram shows what happens when the employees of a profit-maximising monopsonist employer form a trade union and successfully negotiate a wage rate of $OW_T$.




What is the effect of the new wage rate on employment?

**A** It falls from $OQ_2$ to $OQ_1$.

**B** It falls from $OQ_2$ to $OQ_3$.

**C** It rises from $OQ_1$ to $OQ_3$.

**D** It rises from $OQ_1$ to $OQ_4$.

**16** A world financial crisis was partly linked to the actions of commercial banks.

Which actions of the commercial banks could have led to the financial crisis?

**A** being subject to tight controls by the central bank over credit creation

**B** holding reserves above the reserve ratio agreed with the central bank

**C** taking excessive risks by demanding insufficient security from borrowers

**D** widening the gap in favour of a bank's assets over liabilities

**17** What is most likely to result from a decrease in the natural rate of unemployment?

**A** a decrease in government expenditure on goods and services

**B** a decrease in the level of government payments to the unemployed

**C** a decrease in trade union membership

**D** a decrease in interest rates

© UCLES 2024

**18** The table gives the percentage (%) rates of youth unemployment and total unemployment in France and the UK in 2001 and 2005.

| | France | | UK | |
|---|---|---|---|---|
| | youth unemployment (%) | total unemployment (%) | youth unemployment (%) | total unemployment (%) |
| 2001 | 19.2 | 8.7 | 12.0 | 5.2 |
| 2005 | 22.1 | 10.1 | 12.5 | 4.8 |

What can be concluded from the table?

**A** France and the UK experienced the same trends in unemployment.

**B** France had a higher number of unemployed people than the UK.

**C** The UK used a different definition of unemployment from France.

**D** The UK was more successful than France in controlling unemployment.

**19** What is a necessary assumption of the Keynesian multiplier model?

**A** increasing average propensity to save

**B** flexible costs and prices

**C** full employment of resources

**D** open economies

**20** The table shows the relationship between inflation and unemployment in Germany from 2019 to 2022.

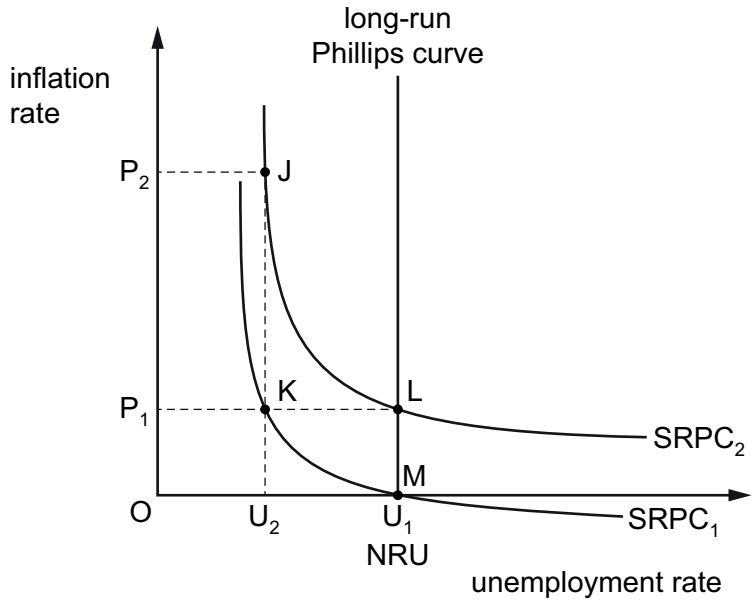
| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| inflation: annual variation (%) | –1.9 | –1.6 | 2.7 | 2.6 |
| unemployment rate (%) | 6.4 | 6.1 | 5.7 | 5.2 |

Some theories argue that inflation rates are at their lowest when the rate of unemployment is low.

Which year contradicts this expectation to the greatest extent?

**A** 2019 **B** 2020 **C** 2021 **D** 2022

**21** The diagram represents the short-run Phillips curves $SRPC_1$ and $SRPC_2$ and the long-run Phillips curve in an economy, where NRU is the natural rate of unemployment. The economy is originally in equilibrium with no inflation.




If the government introduces a fiscal stimulus to reduce unemployment, monetarists predict that there will be a series of movements before long-run equilibrium is restored.

Which set of movements illustrates this prediction?

**A** J to K to L **B** L to K to J **C** M to K to J **D** M to K to L

**22** An economy has a sudden increase in inflation caused by a large rise in energy prices. It also enters a recession with rising unemployment.

A decrease in which policy variable is most likely to reduce the impact of the recession without increasing the price level further?

**A** direct taxation

**B** government spending

**C** indirect taxation

**D** interest rate

**23** What is **not** a threat to globalisation?

**A** rising fear of losing jobs to immigrant workers

**B** rising political tensions among major economies of the world

**C** stronger trade unions in industries producing substitutes of imports

**D** withdrawal of government support for inefficient industries

© UCLES 2024

**24** Singapore has one of the highest population densities in the world. It discourages car use through a high tax on second cars.

Which additional policy would help to relieve road congestion in the short run?

**A** limiting the total number of car licences issued

**B** encouraging restrictions on the size of families

**C** improving infrastructure by building new roads

**D** replacing diesel cars by electric cars

**25** What is **not** an example of an expenditure-reducing policy?

**A** a decrease in government spending

**B** a depreciation of the exchange rate

**C** an increase in direct taxes

**D** an increase in interest rates

**26** What does the J-curve effect show?

**A** A successful currency depreciation requires the sum of the import and export elasticities of demand to be greater than 1.

**B** After a currency devaluation, the current account is likely to get worse before it gets better.

**C** In the short run, the demand for imports and exports tends to be price elastic.

**D** The value of the terms of trade will affect the success of a currency's devaluation.

**27** What is the most likely consequence of an increase in the number of multinational companies?

**A** a decrease in advancements in technology

**B** a decrease in foreign direct investment

**C** an increase in exports

**D** an increase in unemployment

**28** The table shows the GDP and population of four countries.

Which country is most likely to have the lowest standard of living?

| | country | GDP US$ billion | population million |
|---|---|---|---|
| **A** | Bangladesh | 206.7 | 153.5 |
| **B** | India | 2989.1 | 1147.9 |
| **C** | Nigeria | 292.7 | 138.3 |
| **D** | South Africa | 467.1 | 43.8 |

**29** What will increase the size of a country's optimum population?

**A** a rise in the birth rate

**B** a lowering of the age of retirement

**C** a rise in the stock of capital available in the country

**D** a decrease in the productivity of the country's industries

**30** The table shows the values of the Gini coefficient for some countries in a given year.

| | Gini coefficient |
|---|---|
| Namibia | 74.3 |
| Zambia | 50.4 |
| France | 32.7 |
| Denmark | 24.7 |

Using this information, which statement is correct?

**A** Income is distributed more equally in Denmark than France.

**B** Income is distributed more equally in Namibia than Zambia.

**C** Income per capita is higher in Zambia than Namibia.

**D** There are proportionally more people below the poverty line in Zambia than France.

© UCLES 2024

**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 Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2024