Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/11**

Paper 1 Multiple Choice **October/November 2017**

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

2035691946

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, glue or correction fluid.
Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO **NOT** WRITE IN ANY BARCODES.

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 separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

This document consists of **13** printed pages and **3** blank pages.

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CAMBRIDGE International Examinations

1 A teacher asks four students to fill in the gaps in the following sentence.

'A positive economic statement is ……1…… statement that ……2…… be tested using factual evidence, whereas a normative economic statement is ……3…… statement that ……4…… be tested using factual evidence.'

The students' answers are shown in the table.

Which student is correct?

	1	2	3	4
A	an objective	can	a subjective	cannot
B	an objective	cannot	a subjective	can
C	a subjective	can	an objective	cannot
D	a subjective	cannot	an objective	can

2 From 1990 to 2000 each of the countries listed below changed towards a market economy through privatisation programmes.

private sector share (% of GDP) (ratio of private enterprise earnings to GDP)			
	1990	1995	2000
Czechia	10	70	80
Hungary	20	60	80
Romania	15	45	60
Slovakia	10	60	80

What can be concluded about the rates of privatisation?

A Czechia initially made the fastest change.

B Hungary made the least overall change.

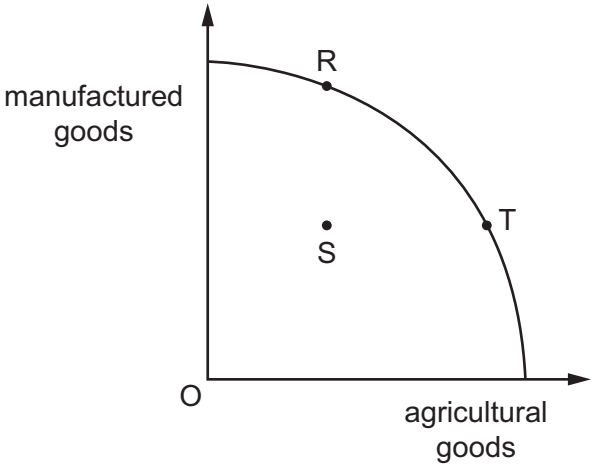
C Romania made the greatest overall change.

D Slovakia made the steadiest change.

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3 Farmers using traditional methods lack access to finance and often employ family members on a part-time basis.

If working practices in agriculture could be improved, how would this be likely to be shown on the production possibility curve?



A by a movement from R to T

B by a movement from S to R

C by a movement from S to T

D by a movement from T to R

4 Which types of good are distinguished from one another by the presence or absence of opportunity cost?

A demerit and merit goods

B economic and free goods

C inferior goods and normal goods

D private and public goods

5 What could cause a shift in the supply curve of good X and a movement along its supply curve?

	shift in the supply curve	movement along the supply curve
A	a change in consumer preferences	an increase in the price of a substitute good
B	a decrease in factor productivity	the imposition of a tax on good X
C	an increase in the price of a complementary good	an increase in factor productivity
D	an increase in the wage rates in the industry	a change in consumer preferences

6 A supply curve is represented by the equation, quantity supplied = 10 + 5P, where P = the price of the product.

Which price rise would cause the quantity supplied to double?

A $1 to $2 **B** $1 to $3 **C** $1 to $4 **D** $1 to $5

7 Along which axis can the market demand curve be aggregated from individual demand curves?

A both the horizontal and vertical axis

B the horizontal axis only

C the horizontal or the vertical axis but not both

D the vertical axis only

8 The table shows the price of a good and total expenditure on the good during specific periods when the market is in equilibrium.

period	price ($)	total expenditure ($)
1	12	96 000
2	5	40 000
3	8	64 000
4	10	80 000
5	4	32 000

What can be deduced from this data?

A The good has constant opportunity cost.

B The good is an inferior good.

C The price elasticity of demand is equal to one.

D The price elasticity of supply is equal to zero.

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9 The Chinese government relaxed controls on private house ownership. Private house ownership rose sharply, replacing demand for apartments rented from the state.

What would have been most likely to happen to private house prices and the rents of apartments?

	private house prices	apartment rents
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

10 What might explain a simultaneous increase in both price and quantity traded in the market for a normal good?

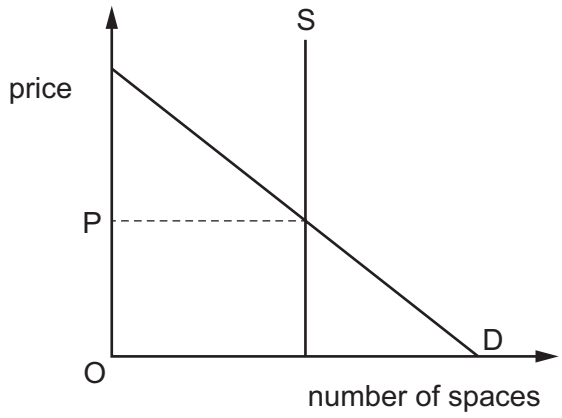
A the removal of an effective maximum price on the good

B technological progress in the production of the good

C the imposition of a tax on the good

D the granting of a subsidy to producers of the good

11 The diagram shows the demand and supply curves for parking spaces in a hospital car park.



The managers decide to rely on the price mechanism to allocate parking spaces at the hospital.

What is required for this to work?

A Alternative means of transport must be provided for those unable to afford price OP.

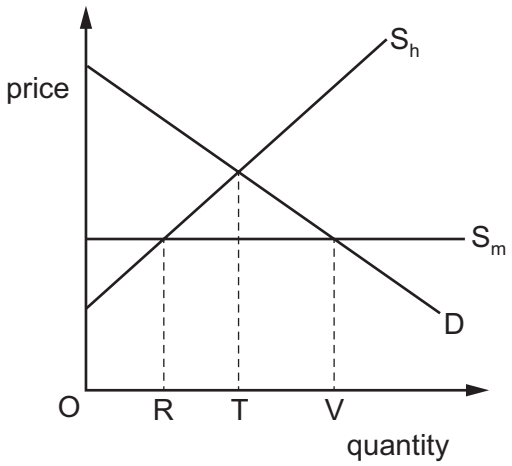
B A survey will be needed to find out the amount users are willing to pay.

C The capacity of the car park will need to be expanded.

D The price charged for parking spaces must be OP.

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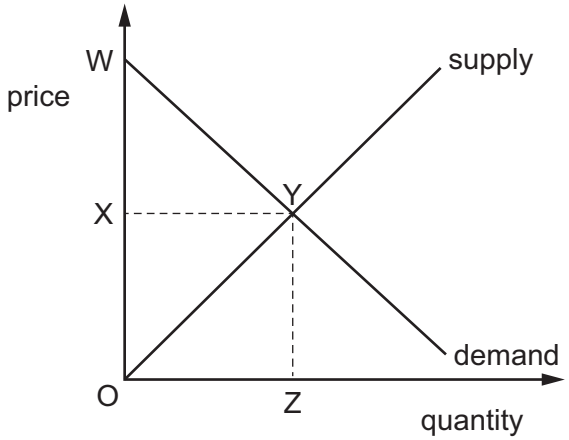
12 The diagram shows a market for a good which is supplied partly from domestic production and partly from imports. S_h represents domestic supply and S_m represents imports.



What will be the level of consumption and the associated quantity of imports?

	consumption	quantity of imports
A	OT	RT
B	OT	OT
C	OV	RT
D	OV	RV

13 The diagram shows the market for computers in Pakistan.

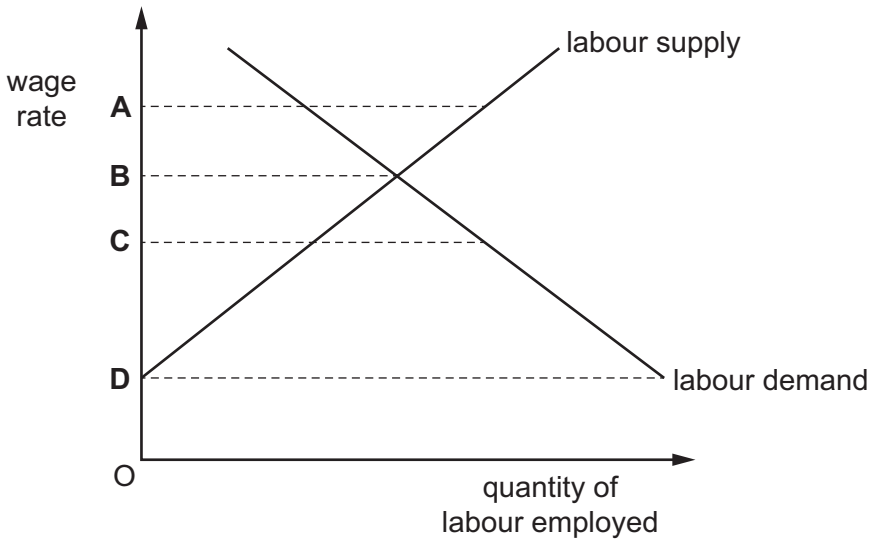


Which areas represent consumer surplus and consumer expenditure?

	consumer surplus	consumer expenditure
A	WXY	OXY
B	WXY	OXYZ
C	WYO	OXYZ
D	WYO	OYZ

14 The diagram shows the market for labour.

At which level would an effective minimum wage rate have to be set?



15 What is an accurate statement about a production subsidy?

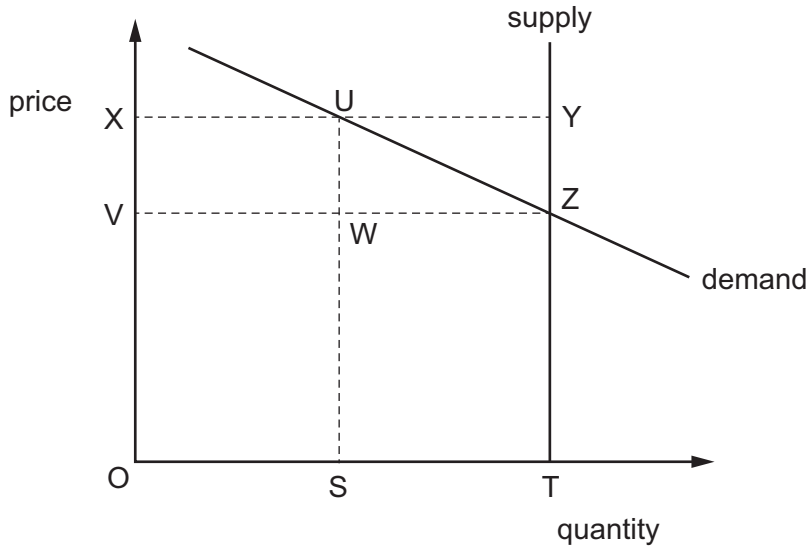
A It causes demand for the good to increase so the demand curve shifts to the right.

B It enables firms to supply more so the supply curve shifts to the left.

C It is financial assistance to firms from the government to help increase output.

D It is money taken from firms by the government to reduce harmful side effects of production.

16 The diagram shows the market supply and demand curves for an agricultural product. The government guarantees producers a price of at least OX for their output, but allows the market price to be freely determined by demand and supply.



Which area in the diagram represents the total subsidy payments made by the government to producers?

A UYTS **B** UYZW **C** XUWV **D** XYZV

17 How will transfer payments to low-income families, funded by a mix of direct taxation and indirect taxation, affect the total level of consumption?

A The change in the level will be uncertain.

B The level will fall.

C The level will remain unchanged.

D The level will rise.

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18 The table shows the annual percentage change in the output per worker employed for four nationalised industries before and after privatisation.

nationalised industry	before privatisation	after privatisation
railways	–4%	2%
electricity supply	7%	9%
shipbuilding	4%	–1%
telecommunications	6%	6%

What can be concluded from the table about the effect of privatisation?

A Employment fell in the railway industry.

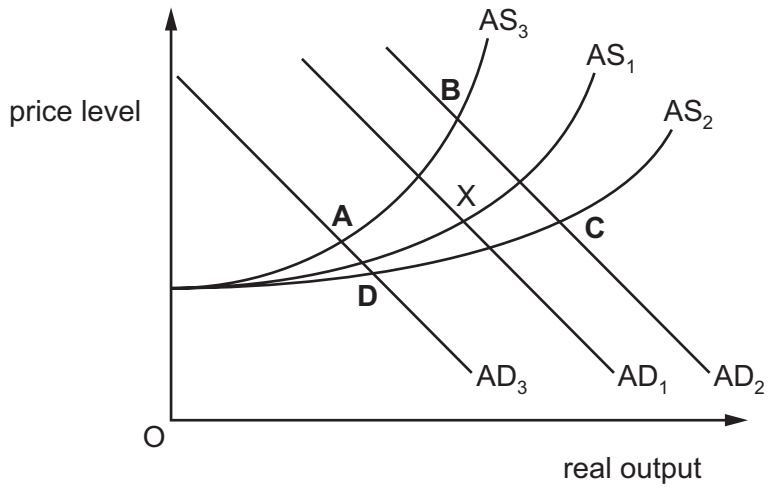
B Employment was unchanged in the telecommunications industry.

C Output was greatest in the electricity supply industry.

D Workers became less efficient in the shipbuilding industry.

19 In its recent budget a government increased defence expenditure and the amount spent on training to increase the productivity of the workforce. The initial equilibrium point is shown by X on the aggregate demand, AD, and aggregate supply, AS, diagram.

What would be the equilibrium point after these changes?



20 The table shows a country's consumer price index for March and April 2015.

	consumer price index
March 2015	151.3
April 2015	148.6

Which statement correctly describes what happened between these two months?

A There was a decrease in the annual rate of inflation.

B There was a decrease in real interest rates.

C There was an increase in the purchasing power of money.

D There was an increase in the standard of living.

21 What would be likely to increase inflation in an economy?

A an increase in consumer saving

B an increase in interest rates

C an increase in labour productivity

D an increase in taxes on imports

22 In 2014 a rich foreign businessman bought a UK football club.

What would have been the immediate effect of such an investment?

A a fall in the demand for footballers in the UK

B a fall in the earnings of footballers in the UK

C an inflow in the UK balance of payments

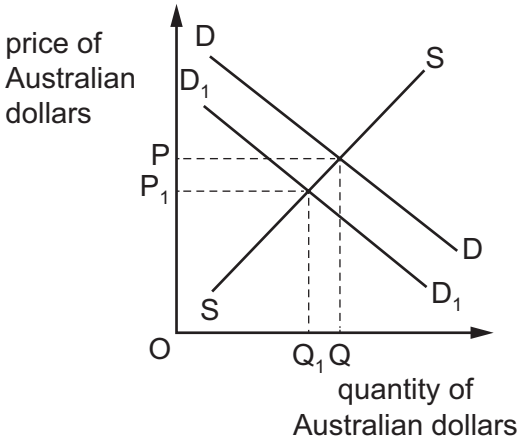
D an inflow in the UK balance of trade

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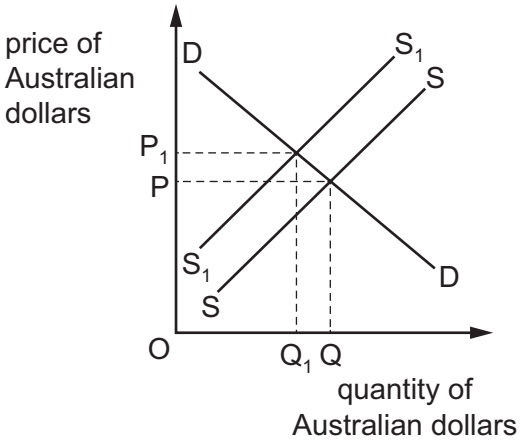
23 Australia's spending on imports falls and, at the same time, investment abroad by Australian firms declines.

Which diagram shows the immediate effect of these changes on the market for the Australian dollar?

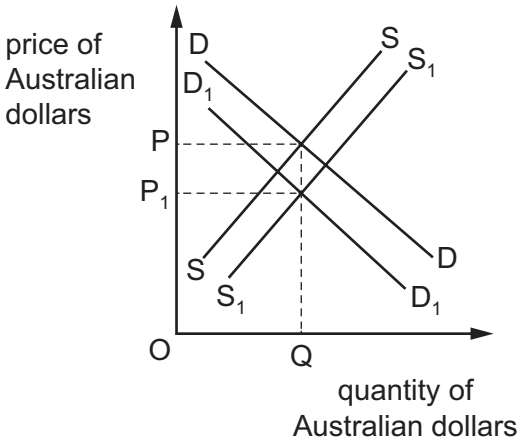
A



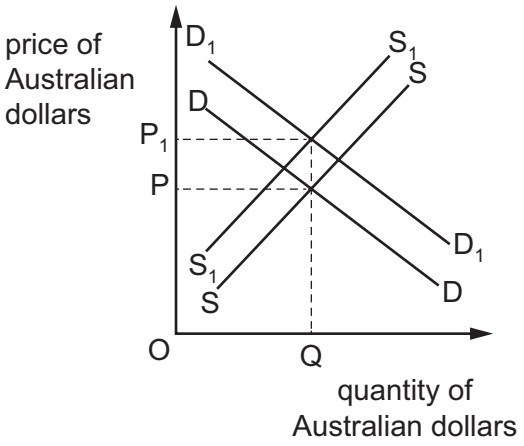
B



C



D



24 An economy's terms of trade rose from the base year of 100 to 110.

Which changes in the export price index and the import price index would have caused this?

	export price index change	import price index change
A	0	–10
B	0	+10
C	+10	0
D	+20	+10

25 The introduction of the euro as the common currency of much of Western Europe created a powerful economic group.

What is least likely to have been the intention?

A faster economic growth in the region

B greater labour mobility and employment in the region

C more international trade within the region

D more international trade with non-members

26 Country X has a comparative advantage in producing wheat and country Y in producing cars. However, the countries choose not to specialise and trade.

What is a valid reason for this behaviour?

A The cost of transport is high relative to the opportunity cost differences between the countries.

B The exchange rate lies within the countries' opportunity cost ratios.

C There is immobility of factors of production between the countries.

D Trade is based on absolute rather than comparative advantage.

27 What is **not** an example of protectionism?

A a ban on the imports of chicken products

B import tariffs on agricultural products

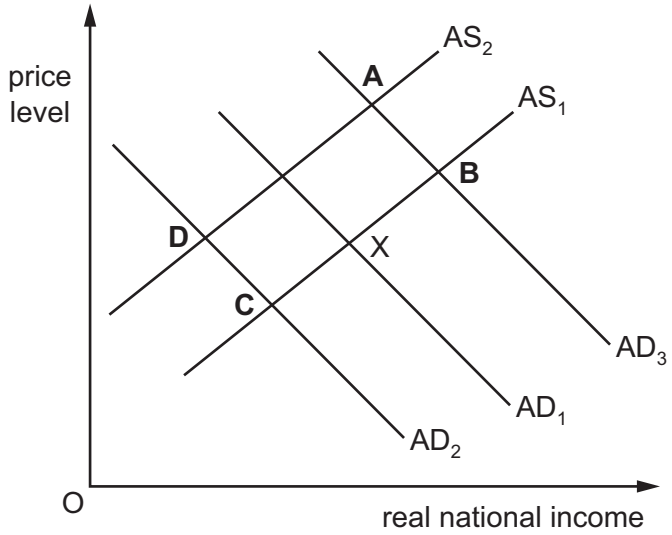
C maximum supermarket food prices

D strict health and safety requirements

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28 The government of a country plans to cut income tax rates. The initial equilibrium for the country is represented by point X on the diagram.

Which new equilibrium point would an economist predict as the result?



29 If an economy has a floating exchange rate, which policy could have an expansionary effect on national income with the smallest reduction of a current account surplus on the balance of payments?

A a reduction in income tax rates

B a reduction in interest rates

C government subsidies to individuals wanting loans for house purchases

D increased government spending on transport infrastructure

30 Which combination of fiscal and monetary policies is most likely to be effective in the short run for tackling deflation in a closed economy?

	fiscal policy	monetary policy
A	increasing the budget deficit	reducing the interest rate
B	increasing the budget deficit	reducing the money supply
C	reducing the budget deficit	reducing the interest rate
D	reducing the budget deficit	reducing the money supply

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