Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/13**

Paper 1 Multiple Choice **October/November 2019**

1 hour

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

9814367921

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 **12** printed pages.

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1 Which is a positive statement?

A A fall in the value of the Chinese yuan against the US dollar will make Chinese goods more price competitive in the USA.

B Direct taxes are the best fiscal instrument to redistribute income in a developed economy.

C The most important macroeconomic objective of the government is to reduce unemployment.

D The UK government should not renationalise the railway infrastructure.

2 Which is closest to being a public good?

A electricity

B health services

C street lighting

D water supply

3 An individual has an appointment with his dentist.

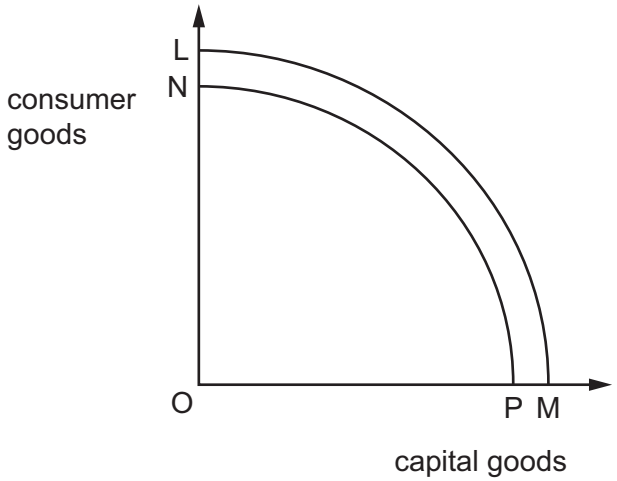
He has a choice between travelling to the appointment by car, or leaving the car at home and travelling by bus and then by train. The costs of the journey are given below.

	$
bus fare	2
train fare	3
car parking charge	4
petrol	2
car wear and tear costs	1

Given this information, what is the opportunity cost to the individual of travelling by car rather than by bus and train?

A $2 **B** $4 **C** $7 **D** $12

4 In the diagram the original production possibility curve is LM.



What could cause the curve to shift to NP?

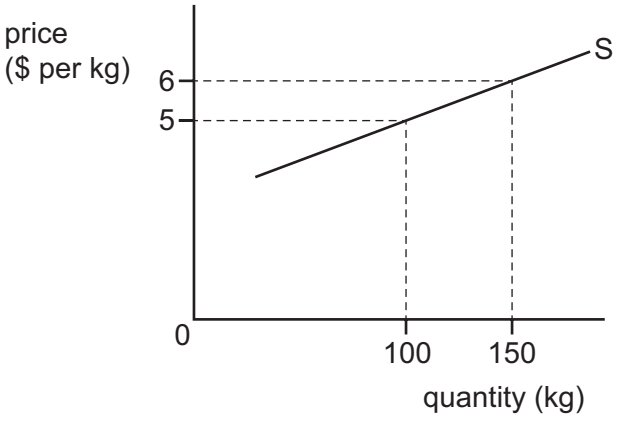
A a fall in the working population

B a reallocation of resources from consumer goods to capital goods

C an increase in output per worker

D an increase in unemployment

5 The diagram shows the supply curve for bananas.



What is the price elasticity of supply when there is a rise in price from $5 to $6?

A –2.5 **B** +0.4 **C** +2 **D** +2.5

6 What causes an inelastic market supply curve for an agricultural crop such as wheat?

A a government decision to import crops at times of shortage

B an efficient use of fertilisers causing crop production to rise

C the storage of excess production for future sale

D the very long time required to produce additional output

7 Travellers can cross the English Channel either by the Channel Tunnel or by a sea journey.

The table gives details of the passengers, in thousands, using these services between 2005 and 2015.

Between 2005 and 2015 the price of the Channel Tunnel fell and the price of sea journeys rose.

year	Channel Tunnel passengers	sea journey passengers
2005	17 005	23 693
2010	18 303	21 883
2015	20 864	21 000

What does the data suggest?

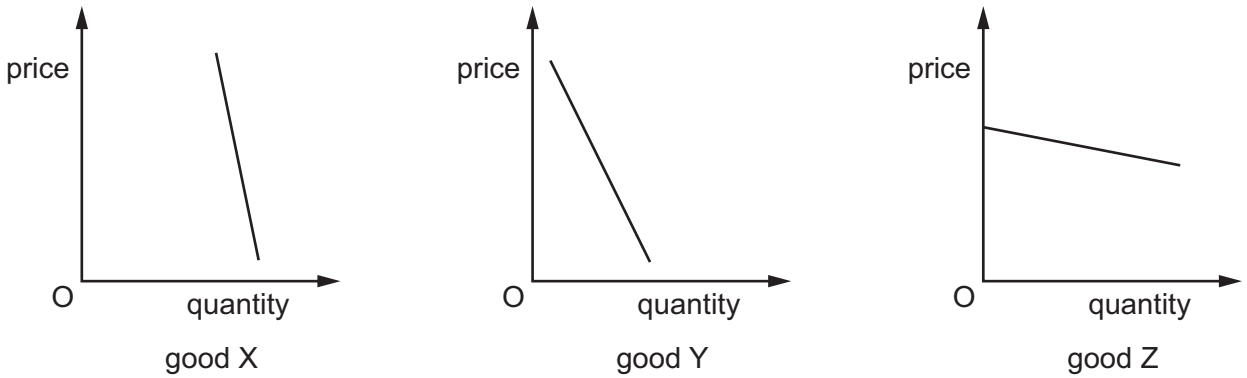
A The cross elasticity of demand between the two services is positive.

B The market for crossing the English Channel grew continuously over the period.

C The rate of decline in sea journeys accelerated over the period.

D The two services for crossing the English Channel are complementary.

8 The diagrams represent the demand curves for three goods X, Y and Z. They are drawn to the same scale and can be used to represent the price elasticity of each good. The three goods are lamb only, all meat and all food.

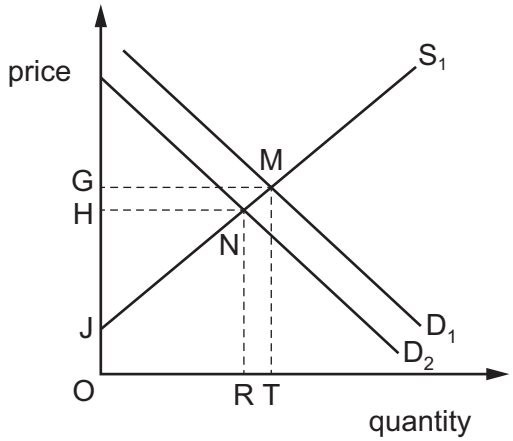


Which combination of goods is likely to represent lamb only, all meat and all food?

	good X	good Y	good Z
A	food	meat	lamb
B	lamb	meat	food
C	lamb	food	meat
D	meat	lamb	food

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9 The diagram shows the European market for diesel fuel and the original equilibrium is at M.



Europeans want low-emission cars and therefore the demand for diesel fuel has decreased from D_1 to D_2.

Which area represents the new producer surplus for companies supplying diesel fuel?

A GMNH **B** JGM **C** JHN **D** JNR

10 A US study, published in July 2014, warned teenagers to reduce the amount of fizzy drink they consume. One can of fizzy drink contains an adult's entire daily sugar allowance.

If the advice were accepted, how might the effect be illustrated on demand and supply diagrams for fizzy drinks and for sugar?

	diagram for fizzy drinks	diagram for sugar
A	demand curve moves to the left	movement up the supply curve
B	demand curve moves to the left	movement down the supply curve
C	movement up the demand curve	supply curve moves to the right
D	movement up the demand curve	supply curve moves to the left

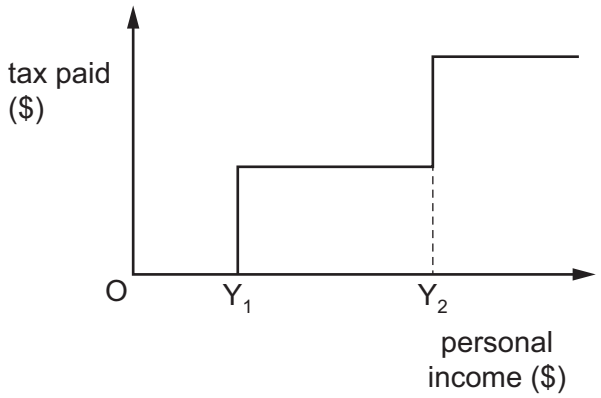
11 A government decides to put a tax on a good.

Which price elasticity conditions would result in most of the tax being paid by the consumer?

	demand elasticity	supply elasticity
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	inelastic

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12 The diagram shows the income tax system adopted by a country.



What are the average and marginal rates of tax as incomes rise from Y_1 towards Y_2?

	average rate of tax	marginal rate of tax
A	constant	constant
B	constant	decreasing
C	decreasing	constant
D	decreasing	decreasing

13 What is **most** likely to decrease if the government pays a subsidy to the producers of a product?

A government spending

B output of the product

C price of the product

D rates of taxation

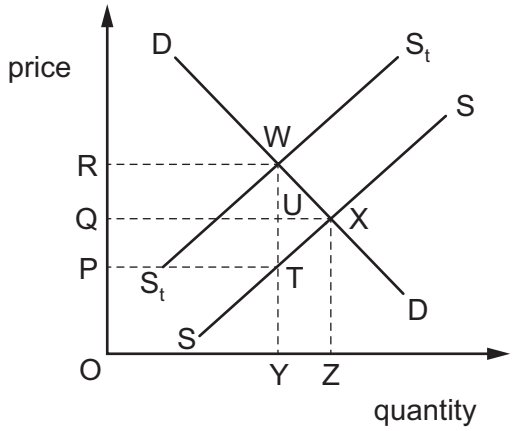
14 The government introduces a new transfer payment, to help people on low incomes afford housing.

What will be the effects of this in the housing market?

	effect on the demand curve	effect on the supply curve
A	a movement along demand	a movement along supply
B	a movement along demand	a shift in supply
C	a shift in demand	a shift in supply
D	a shift in demand	a movement along supply

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15 A specific tax is placed upon each bottle of perfume sold. In the diagram, SS is the supply curve before tax, S_tS_t is the supply curve after tax.



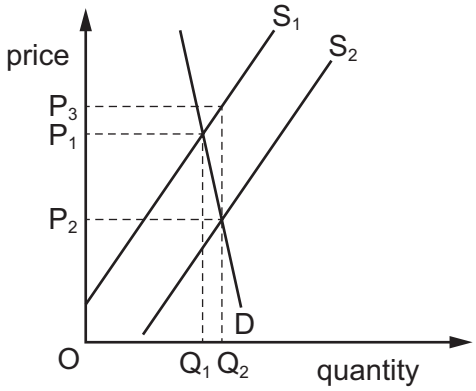
Which area represents that part of the tax revenue paid by producers?

A ORWY **B** PQUT **C** PRWT **D** QRWU

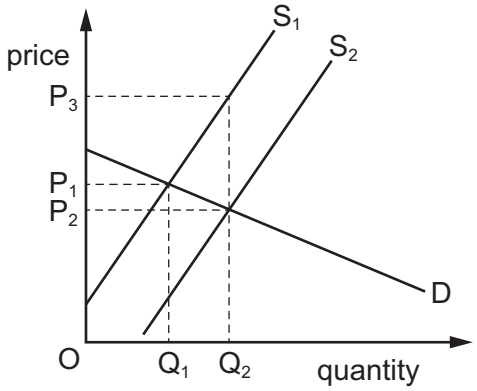
16 In each diagram the initial supply is S_1 and the new supply after subsidy is S_2. The subsidy is identical in each case.

Which diagram shows the greatest incidence of the subsidy on the consumers?

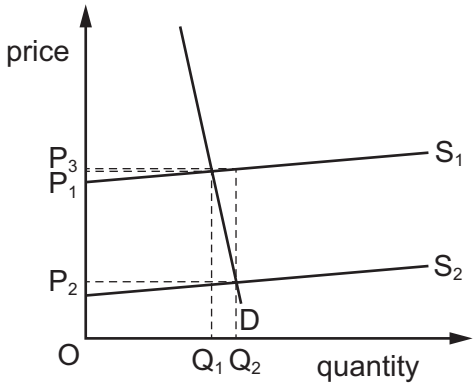
A



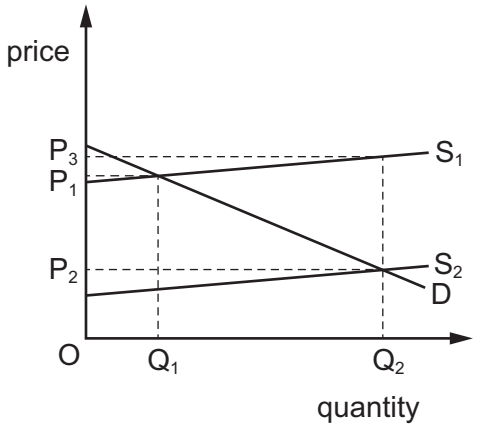
B



C



D



17 Which statement is **not** correct?

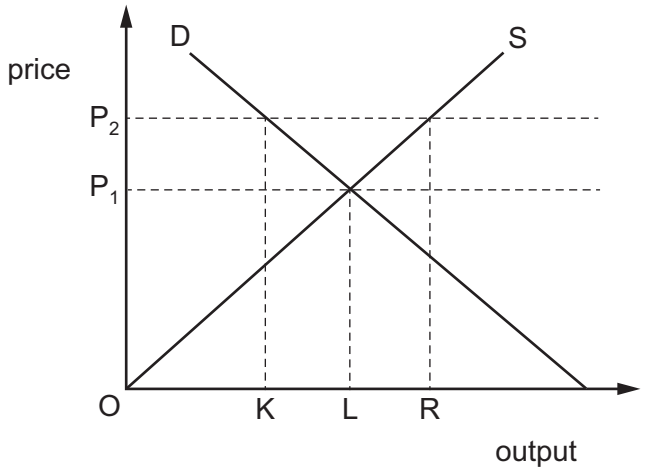
A A progressive tax usually improves the distribution of income.

B A regressive tax benefits the rich more than the poor.

C An ad valorem tax causes a parallel shift left of the supply curve.

D Some consumers can avoid paying indirect tax.

18 The diagram shows the market supply and demand curves for wheat.



What should a government do to maintain a minimum price of OP_2?

A buy quantity KL

B buy quantity KR

C sell quantity LR

D sell quantity KR

19 Singapore imports almost all of its raw materials and its exports are a high percentage of its GDP. The price elasticity of demand for exports and the price elasticity of demand for imports are each less than 1.

What would be the likely impact of a depreciation of the Singapore dollar?

A The domestic inflation rate would fall.

B The government's budget deficit would move to surplus.

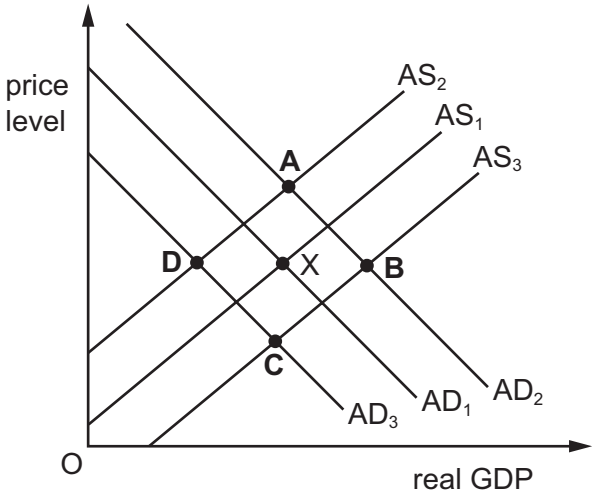
C The price of imports would fall.

D The value of exports would fall.

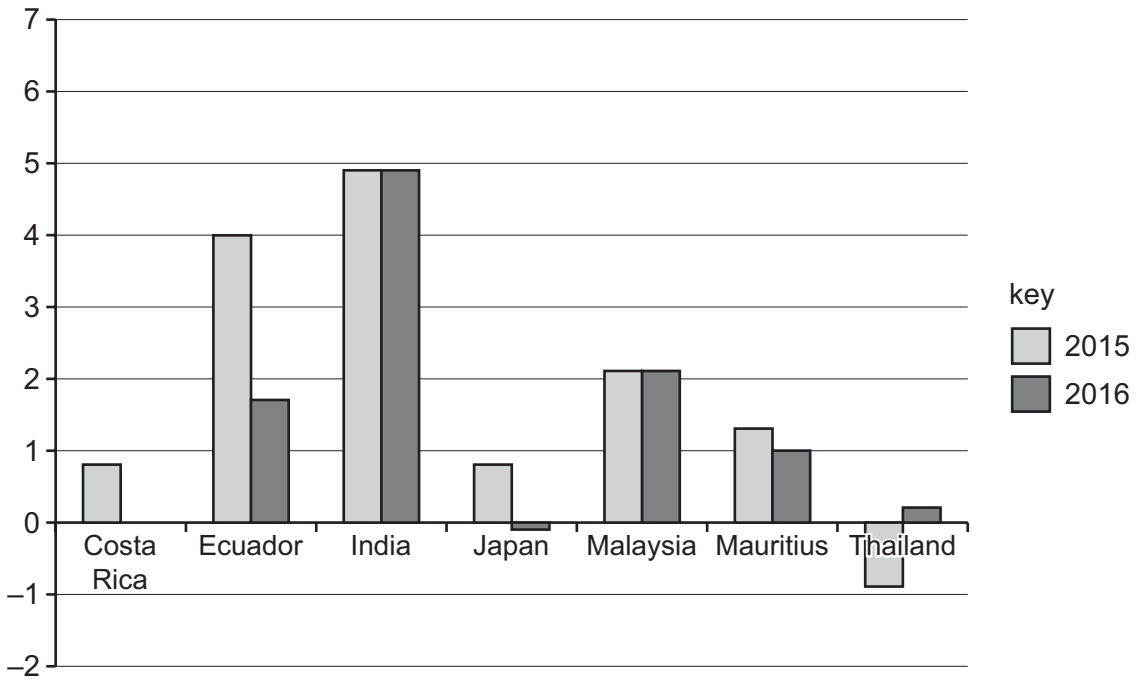
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20 The diagram shows the original aggregate demand curve, AD_1, and the original aggregate supply curve, AS_1. The original equilibrium is at X.

What would be the new equilibrium if there is an increase in private sector investment and an increase in government spending on training courses?



21 The graph shows the rate of inflation for seven countries for 2015 and 2016.



What can be concluded from this graph?

A Prices in Costa Rica rose in 2015 but remained constant in 2016.

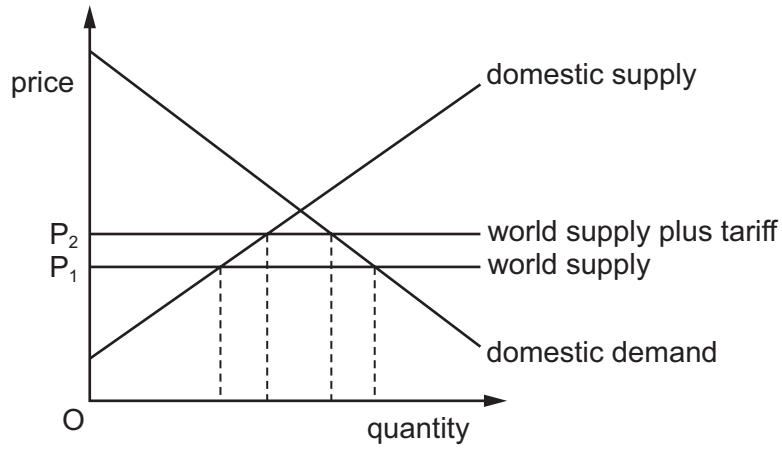
B Prices in Ecuador and Mauritius were lower in 2016 than in 2015.

C Prices in India and Malaysia remained constant in 2016 and 2015.

D Prices in Thailand and Japan were lower in 2016 than in 2015.

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22 The diagram shows the effect of a tariff on a product.



From this diagram, what determines the gain the tariff generates for domestic producers?

A the price elasticities of domestic supply and demand

B the tariff rate and the price elasticities of both domestic demand and supply

C the tariff rate and the price elasticity of domestic demand

D the tariff rate and the price elasticity of domestic supply

23 The European Union consists of a group of countries with free trade between its members and a common external tariff on trade with non-members.

What would weaken the operation of this customs union?

A devaluation of any member's currency

B differences in wage costs between members

C entry tests for seasonal migrant workers

D one member country agreeing a trade deal with a non-member country

24 Which change is **most** likely to result in a worsening of a country's balance of payments?

A a reduction in remittances from citizens who work abroad

B a rise in domestic rates of direct taxation

C an expansion in the economy of a major trading partner

D an increase in domestic interest rates

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25 What must be true if an economy is experiencing inflation?

A Aggregate demand is increasing.

B Aggregate supply is decreasing.

C The interest rate is increasing.

D The real value of money is decreasing.

26 What is the **most** likely consequence of an appreciation in the value of the Malaysian ringgit?

A a decline in the level of unemployment in Malaysia

B a fall in the rate of growth of the general price level in Malaysia

C a reduction in the volume of imports into Malaysia

D an improvement in the Malaysian balance of trade in services

27 Under which conditions will an appreciation of a floating exchange rate cause the current account of the balance of payments to worsen the most?

	price elasticity of demand for imports	price elasticity of demand for exports
A	0.4	0.4
B	0.4	0.6
C	0.6	0.4
D	0.6	0.6

28 An economy experiences cost-push inflation.

Which combination of policies would be best for the economy to use to reduce cost-push inflation?

	exchange rate	supply-side policy
A	appreciate	lower minimum wage
B	appreciate	raise minimum wage
C	depreciate	lower minimum wage
D	depreciate	raise minimum wage

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29 A government reduces the rate of tax firms are charged on their land and buildings.

How is this likely to affect the economy's price level and real output?

	price level	real output
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

30 A government adopts a more expansionary fiscal policy and a more deflationary monetary policy.

Which combination of changes in policy instruments is consistent with this?

	government expenditure	taxation	interest rate
A	decrease	decrease	decrease
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	increase

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