Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/33**

Paper 3 Multiple Choice **October/November 2022**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

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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.

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[Turn over

1 When is Pareto efficiency achieved?

A at a level of output that is productively and allocatively efficient

B when everyone has equal amounts of goods and services

C when social benefits are greater than private benefits

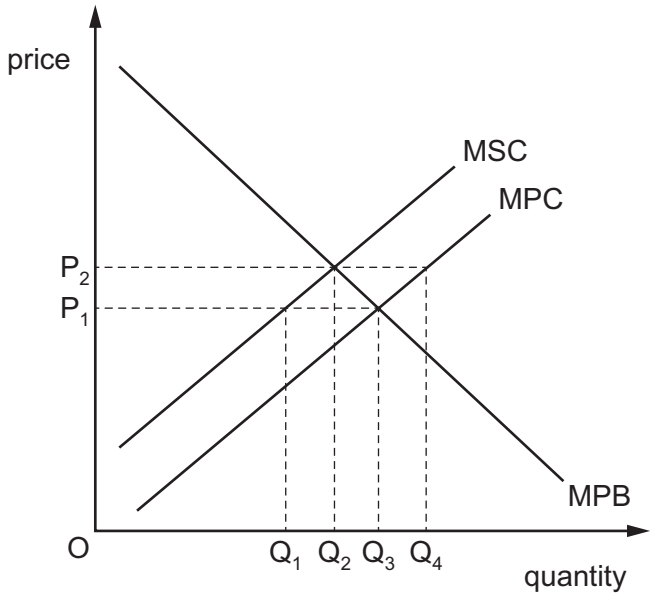
D when social marginal benefit is greater than social marginal cost

2 The transport authority in a city is considering building an underground railway to reduce traffic congestion on the roads.

Which combination would represent an external cost and an external benefit of the use of this railway?

	external cost	external benefit
A	compensation is paid to businesses displaced by construction work	foreign tourists pay to use the railway
B	nearby residents suffer noise from passing trains	there are fewer admissions to hospital as air quality improves
C	overtime payments are made to workers to finish building the railway on time	productivity increases as employees arrive at work more punctually
D	reduced traffic means there are fewer road improvements needed	motorists spend less on fuel

3 The diagram shows the marginal private benefit (MPB), the marginal private cost (MPC) and the marginal social cost (MSC) of a firm producing chemicals. In a free market, price is at P_1.



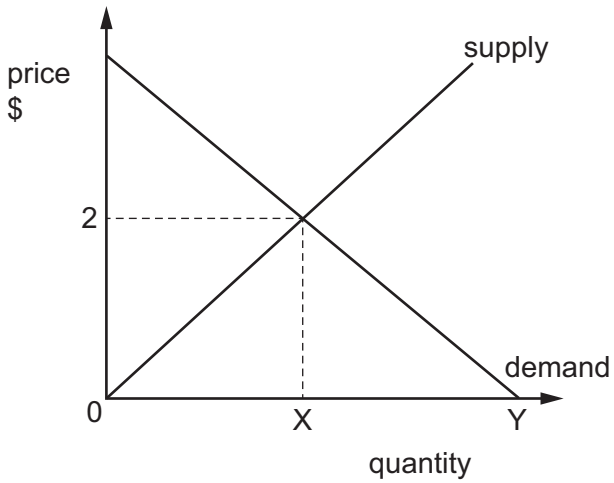
Which quantity measures the overproduction of chemicals resulting in the negative production externality?

A Q_1,Q_2 **B** Q_1,Q_3 **C** Q_2,Q_3 **D** Q_3,Q_4

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4 The diagram shows the market price and equilibrium quantity of coffee consumed by an individual, Jo.

Jo buys X cups of coffee at $2 per cup when she visits her favourite café.



When she is there, the café owner says it is offering unlimited free refills.

How is her consumption **most** likely to change?

A Jo's demand for coffee will increase from X to Y where her total utility for coffee is zero.

B Jo's demand for coffee will increase from X to Y where her marginal utility for coffee is zero.

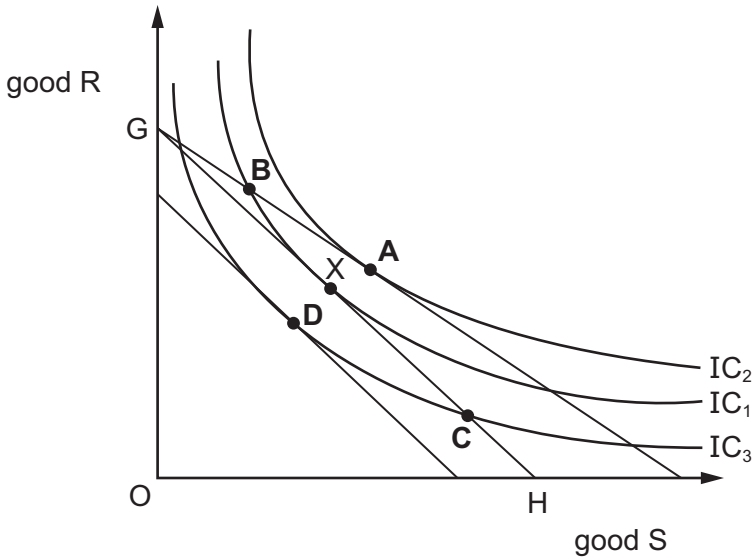
C Jo will not drink extra coffee because its marginal utility is less than $2.

D Jo will not drink extra coffee because her total utility will fall.

5 The diagram shows a consumer's initial budget line is GH and a set of indifference curves IC_1, IC_2 and IC_3 for goods R and S. The original equilibrium for the consumer is point X.

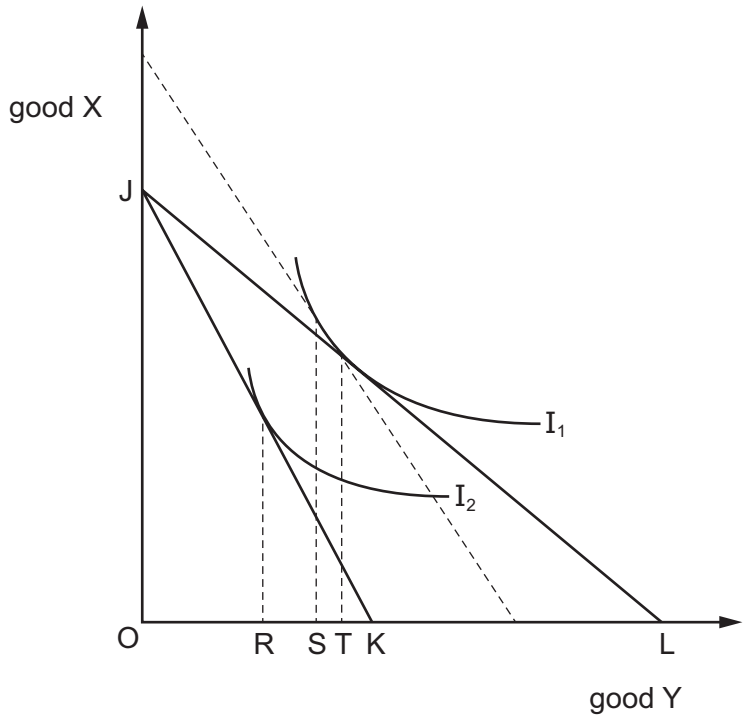
The inflation rate is rising faster than money incomes.

What will be the **most** likely new equilibrium for the consumer if all real income is spent?



6 The diagram shows an individual's budget lines and indifference curves.

The initial budget line is JL. There is then an increase in the price of good Y.



Which distance represents the substitution effect of the increase in price of good Y?

A LK **B** SR **C** TS **D** TR

7 In which type of market structure are commercial banks usually found?

A perfect competition, because they all link their interest rates to that of the central bank

B perfect competition, because they offer identical products and services

C monopolistic competition, because a competitive market prevents them making excess profits

D oligopoly, because they are affected by the actions of other banks

8 The manufacture of some sports equipment is dominated by very large firms but there are also smaller firms in the industry.

What enables a small firm to exist in such an industry?

A high concentration ratio that reduces competition

B high start-up costs that occur in a contestable market

C decreasing average cost as a large firm expands

D a requirement for personalised equipment

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9 The marginal cost curve of a firm passes through the lowest point of the firm's

A average fixed cost curve.

B average variable cost curve.

C marginal revenue curve.

D total cost curve.

10 What would definitely be abnormal profits?

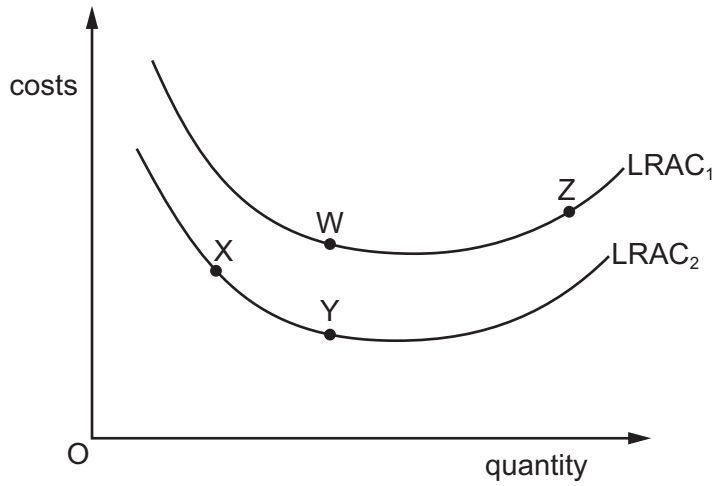
A the extra revenue received from the sale of a farmer's land to a house-building firm

B the extra revenue received by a firm from an unexpectedly large increase in demand

C the total revenue from the sale of a firm's products in excess of the total variable costs of the firm

D the total revenue in excess of total costs of the firm above the minimum needed to keep the firm in business in the long run

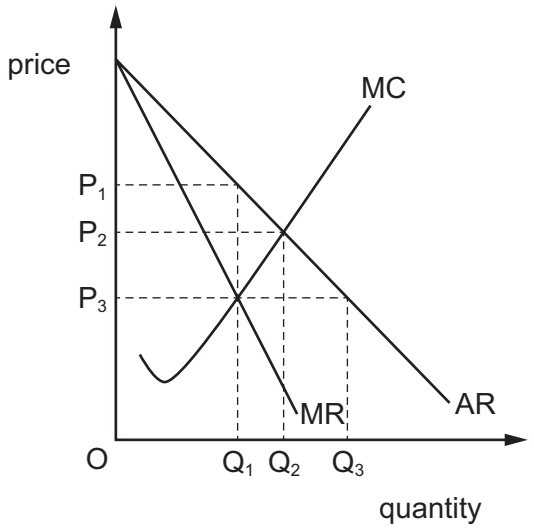
11 The diagram shows the long-run average cost curves (LRAC) for a firm.



Which combination of movements correctly describes each type of economy or diseconomy of scale?

	internal economies of scale	internal diseconomies of scale	external economies of scale
A	W to Y	X to W	Z to W
B	W to Y	Y to W	Z to W
C	X to Y	W to Z	W to Y
D	X to Y	Y to X	W to Y

12 The diagram shows the cost and revenue curves for a monopoly market structure.



A monopoly was producing at P_1Q_1 but changed its aim and now produces at P_2Q_2.

What would **not** have caused this change?

A It has stock it wants to sell.

B It is concerned about new entrants.

C It wants to benefit from greater economies of scale.

D It wants to maximise profits.

13 A government regards fresh fruit and vegetables as merit goods, and subsidises agriculture to boost their production.

What could be a government failure arising from these subsidies?

A cheaper fresh fruit and vegetables

B land clearance reducing wildlife

C lower spending on treating dietary illnesses

D more jobs picking fruit and vegetables

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14 The table shows a firm that has four possible methods of production. Each method has a different cost and causes a different amount of pollution.

The government decides that polluting firms must buy pollution permits that cost $90 each. Each permit allows the firm to emit 1 tonne of pollution. No pollution can be emitted without a permit.

Which method of production has **least** total cost?

	cost of production ($ per day)	pollution caused (tonnes per day)
A	320	3
B	380	2
C	480	1
D	700	0

15 The table shows the average incomes of the richest 20% of households and the poorest 20% of households in the UK (2015–2016), and the effects of government taxation and benefits on average income.

	average income (£) of richest 20%	average income (£) of poorest 20%
before taxes and benefits	85 000	7 000
after direct taxes and cash benefits	68 000	13 000
after all taxes (direct and indirect) and all benefits	63 000	17 000

What can be concluded from the information in the table?

A The effects of direct taxation have affected the rich less than the poor.

B The government's policy achieved income equality across households.

C The government redistributed all income taken from the rich to the poor.

D The government's policy reduced the income inequality between the poor and the rich.

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16 A fashion model is paid $500 000 a year.

If the next best paid job he could get is as a teacher at $100 000 a year, what are his transfer earnings and his economic rent?

	transfer earnings $	economic rent $
A	zero	400 000
B	100 000	400 000
C	400 000	zero
D	400 000	100 000

17 What would be the **most** likely effect of the imposition of a national maximum wage below the market equilibrium on the labour market for famous television celebrities?

A a reduction in the number of jobs for television celebrities

B an increase in other methods of rewarding television celebrities

C greater movement of celebrities between television channels

D increased employment of foreign television celebrities

18 Which government measure is **most** likely to encourage faster and more sustainable economic growth in a country?

A subsidies to firms using recycled materials in production

B grants for the exploration and exploitation of new oil deposits

C increased spending on environmental education in schools

D tougher legislative controls on emissions of air and water pollution

19 Which statement about National Income accounting is correct when Gross Domestic Product (GDP) is converted into Net National Income (NNI)?

A An allowance for depreciation has to be made, because the NNI does not include output that replaces capital that has been used up.

B Both GDP and NNI have to be calculated by the incomes method, because that is what NNI is measuring.

C Double counting is not a problem if the conversion uses the output method, but it is when using the expenditure method.

D The value of exports needs to be added, because exports generate income for citizens.

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20 Real GNP per capita is often used when comparisons of living standards are made between a developed and a developing country.

What is **not** a good reason to question the accuracy of this comparison of living standards?

A It is not possible to use price indices accurately when computing real figures because spending patterns are different.

B People in developed countries enjoy very different amounts of leisure time to people in developing countries.

C The extent of the unrecorded economy is very different in the two countries.

D The purchasing power parity theory has been used to make comparisons.

21 Based on the International Labour Office definition of unemployment, which individual is **most** likely to be classified as unemployed?

A a single parent who would like to work but cannot afford to pay for child-care facilities

B a teacher who has decided to retire permanently

C a redundant steel worker who is not actively seeking alternative work

D a student who is desperately seeking any weekend job to supplement his income

22 What is **most** likely to lead to an increase in labour productivity?

A encouraging women to enter the workforce

B increasing automation

C raising the retirement age

D reducing the division of labour

23 Which components of the Quantity Theory of Money are considered constant and which are considered variable?

	money supply	velocity of circulation	price level	transactions
A	constant	variable	constant	variable
B	constant	constant	variable	constant
C	variable	constant	variable	constant
D	variable	variable	constant	variable

24 Four students are asked to complete a table showing the aggregate demand equation and the multiplier formula for a closed economy without a government.

Which student is correct?

	aggregate demand	multiplier
A	C + I	$\frac{1}{\text{marginal propensity to consume}}$
B	C + I	$\frac{1}{\text{marginal propensity to save}}$
C	C + I – S	$\frac{1}{\text{marginal propensity to consume}}$
D	C + I – S	$\frac{1}{\text{marginal propensity to save}}$

25 Keynesian and Monetarist economists believe different things about the way the economy works.

Which combination is correct?

	Keynesian	Monetarist
A	decreasing AD will always lead to an increase in economic growth	economic growth is achieved using fiscal policy
B	increasing AD brings the economy out of recession	the economy always tends to full employment in the long run
C	increasing AD will always lead to increased employment	economic growth is achieved by cutting taxation
D	increasing AS brings the economy out of recession	full employment will always be achieved in the long run

26 The table shows real GDP and unemployment for an economy.

economic indicators	2019	2021
real GDP ($ billions)	40 000	38 000
unemployment (millions)	2	3

What can be concluded from the data?

A Demand-pull inflation is likely to increase.

B Potential output is likely to increase.

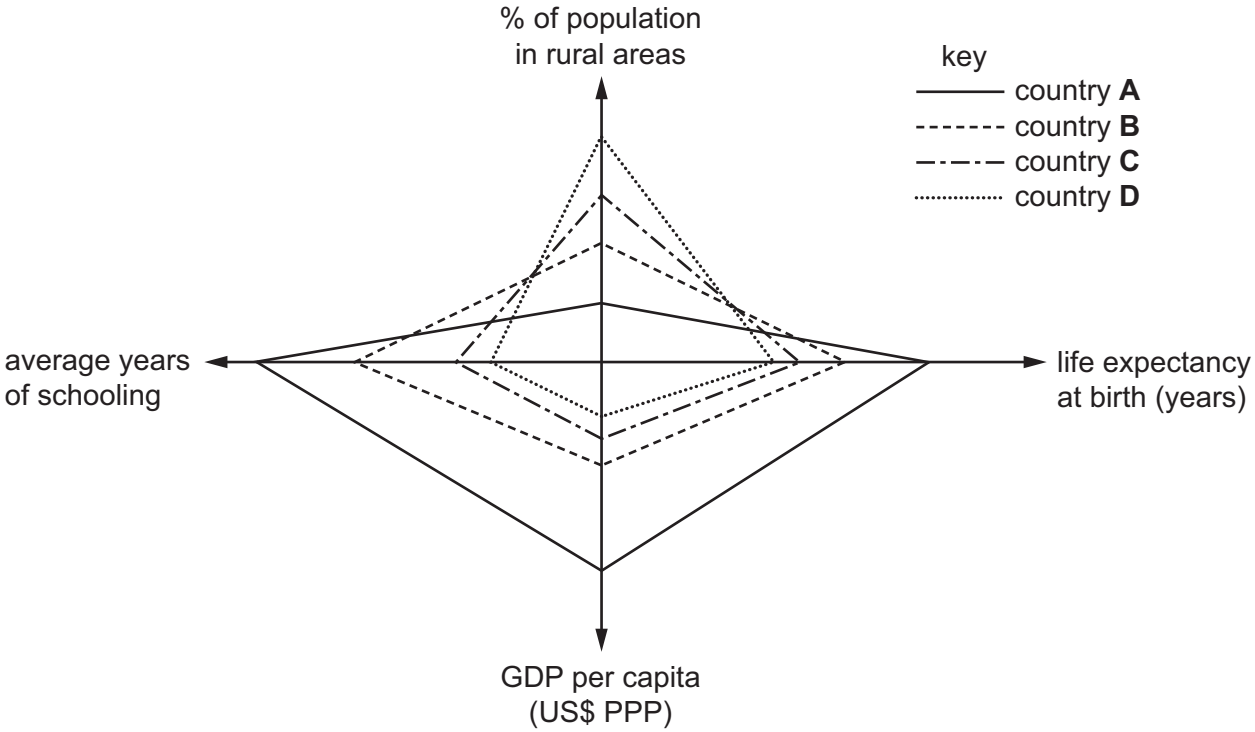
C The balance of payments deficit is likely to increase.

D The budget deficit is likely to increase.

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27 The diagram shows data on various aspects of four countries.

Which country is likely to be most developed?



28 What is illustrated by the Laffer curve?

A As income increases, fewer hours will be worked.

B As income increases, tax revenue will increase.

C As the tax rate increases, tax revenue always increases.

D As the tax rate increases, tax revenue will eventually fall.

29 A government decides to increase direct taxation.

Which combination would describe the impact of this policy on unemployment, growth and balance of payments?

	unemployment	growth	balance of payments
A	improves	improves	improves
B	improves	improves	worsens
C	worsens	worsens	improves
D	worsens	worsens	worsens

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30 How will inflation and unemployment **most** likely be affected by a rise in the rate of income tax if government expenditure does **not** change?

	inflation	unemployment
A	falls	rises
B	falls	falls
C	rises	rises
D	rises	falls

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