Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/31**

Paper 3 Multiple Choice **May/June 2019**

1 hour 15 minutes

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

8014493495

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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.
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1 When can an economy be said to be economically inefficient?

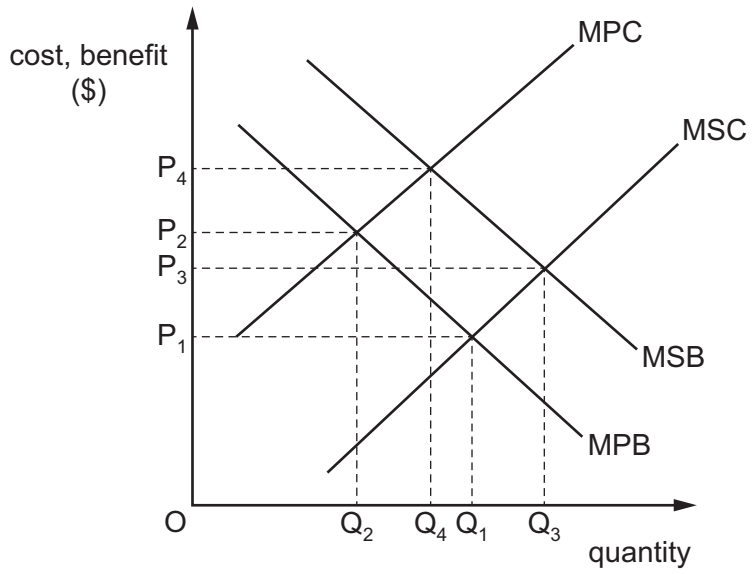
A when it is possible to make some people better off without making other people worse off

B when the distribution of income is socially unacceptable

C when the government sector is growing at the expense of the private sector

D when wage rates rise faster than production

2 The diagram shows cost and benefit curves for a good in a free market.



Which combination is correct?

	actual output	social optimal level of output
A	P_1Q_1	P_3Q_3
B	P_2Q_2	P_3Q_3
C	P_2Q_2	P_4Q_4
D	P_3Q_3	P_4Q_4

3 A food processing firm discharges waste water into the lake next to its factory.

What would reduce the difference between the private cost and the social cost of the firm's actions?

A Local residents are given the right to buy the firm's food at a discount.

B The government subsidises the food processing firm.

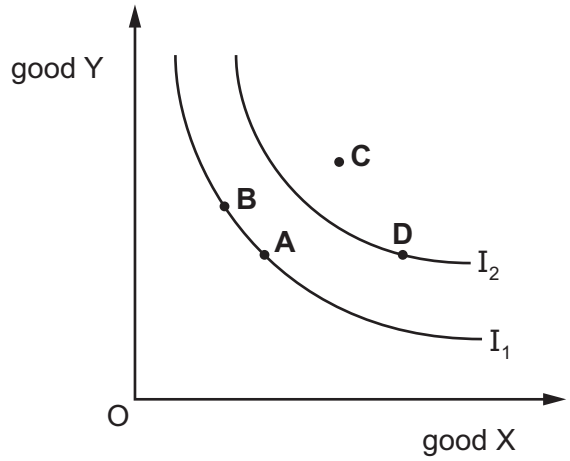
C The lake is bought by the food processing firm.

D The waste water flows from the lake into the sea.

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4 The diagram shows attainable indifference curves, I_1 and I_2, for good X and good Y.

Which point represents the highest level of satisfaction currently attainable?

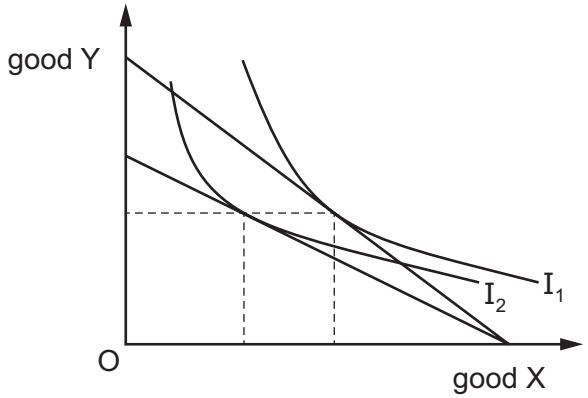


5 The table shows the substitution effect and income effect for a Giffen good and an inferior good as the price of the good changes.

Which combination is correct?

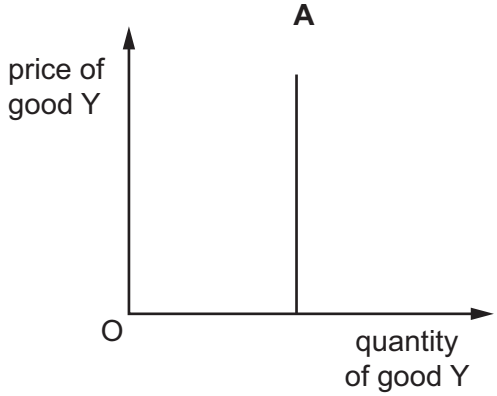
	type of good	price change	demand change from substitution effect	demand change from income effect
A	Giffen	fall	positive	negative
B	Giffen	rise	positive	positive
C	inferior	fall	negative	negative
D	inferior	rise	negative	negative

6 A consumer demands two goods, X and Y. The indifference curve diagram shows the effect of a change in the price of one of these goods on the consumer's equilibrium.

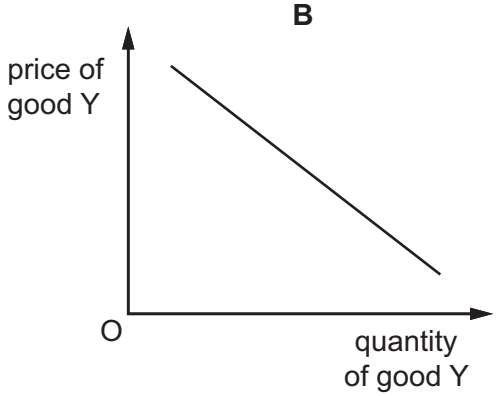


Which demand curve is consistent with the diagram?

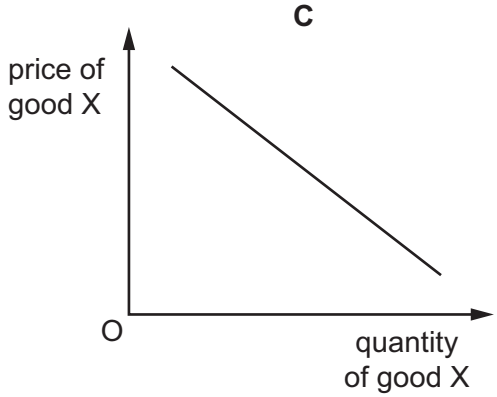
A



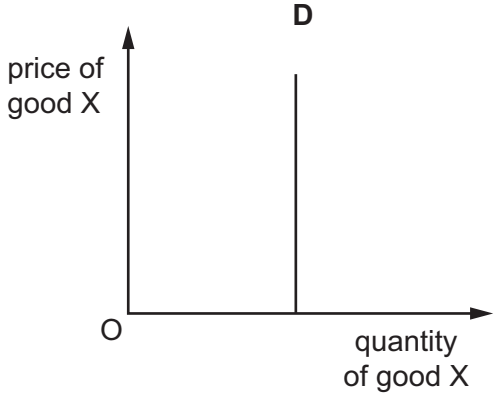
B



C



D



7 In many developed economies, large and small firms often exist side by side in the same industry.

What is **most** likely to explain the survival of the small firms?

A They each offer a much wider range of products.

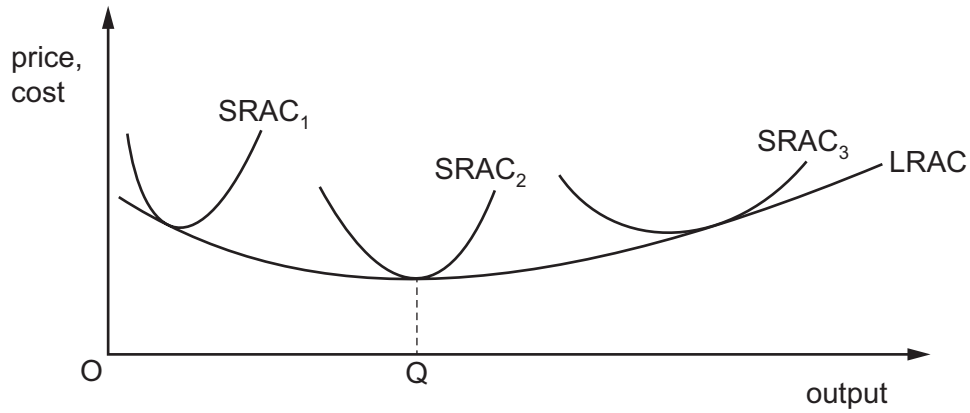
B They have a higher minimum efficient scale.

C They pay much higher wages to their staff.

D They provide a more personal level of consumer service.

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8 The diagram shows short-run (SRAC) and long-run (LRAC) cost curves for a firm.



Which statement is correct?

A When each of the three SRAC curves is U-shaped it shows the existence of economies of scale.

B When the LRAC curve is upward-sloping beyond output OQ it shows the existence of diseconomies of scale.

C When the minimum point of $SRAC_2$ is below that of $SRAC_1$ it shows the existence of the law of variable proportions.

D When the minimum point of $SRAC_2$ is below that of $SRAC_3$ it shows the existence of economies of scale.

9 What is **most** likely to rise as a firm expands?

A energy costs per unit of output

B the cost of components

C the cost of monitoring workers

D the rate of interest paid on borrowing

10 In the long run, what is a feature of monopolistic competition, but **not** of perfect competition?

A a small number of buyers

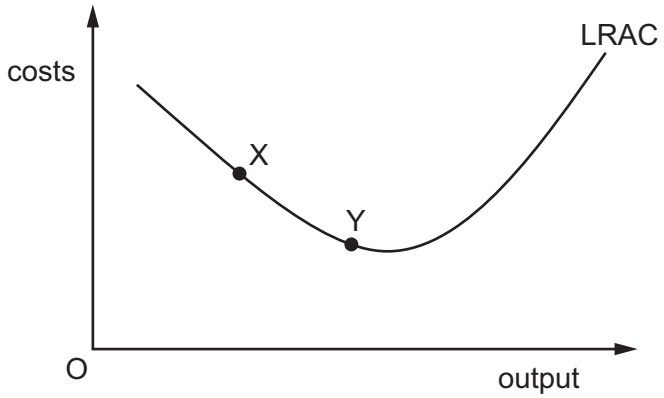
B product differentiation

C the existence of abnormal profits

D the existence of barriers to entry

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11 A small European airline currently produces at point X on its long-run average cost curve. It wants a bigger share of the European airline market and proposes to merge with another small European airline. The newly merged firm would produce at point Y on the long-run average cost curve, as shown.



Why might the newly merged firm be able to produce at point Y?

A The new airline can negotiate discounts when buying fuel.

B The new airline has many layers of management.

C The new airline is unable to hire enough pilots.

D The workforce of the new airline lacks morale and is demotivated.

12 A firm sells its product to consumers in two separate markets, M and N.

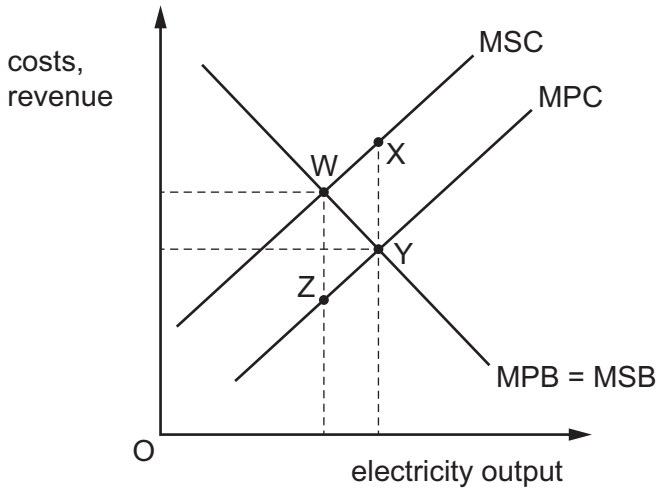
Under which conditions will a policy of price discrimination between the two markets be most profitable for the firm?

	price elasticity of demand in market M	price elasticity of demand in market N	geographical distance between markets M and N
A	1.2	1.2	large
B	1.2	1.2	small
C	1.8	1.2	large
D	1.8	1.2	small

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13 A community relies on a private company to supply electricity using a coal-fired power station.

The power station causes air pollution which imposes an external cost shown in the diagram.



The government decides to impose a tax on the electricity company to correct market failure.

What represents the tax?

A WX **B** WY **C** XY **D** YZ

14 Some workers in a low-paid job decide to work longer hours to increase their disposable income. However, this decision reduces state-provided benefits, leaving them no better off.

What does this describe?

A debt trap

B liquidity trap

C poverty trap

D unemployment trap

15 Which policy is likely to be the **least** effective means of producing a more equal distribution of income amongst households?

A the imposition of minimum wage levels below the levels produced by the market

B the introduction of progressive personal income taxes

C the payment of child benefits to low income households

D the removal of sales taxes on food consumed by lower income households

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16 The table shows the main characteristics of employment in two occupations.

	occupation X	occupation Y
average annual wage	$100 000	$60 000
number of weeks annual leave	5 weeks	10 weeks
average length of working week	48 hours	44 hours
job security	low	high
length of training course to obtain job qualification	1 year	2 years

What can definitely be deduced from the table?

A Those employed in occupation Y attach greater importance to job security.

B Those employed in occupation X attach less importance to leisure activities.

C There will be more competition for places on training courses to enter occupation X than occupation Y.

D Occupation Y has more non-pecuniary advantages than occupation X.

17 The table shows a firm that has four possible methods of production to make its desired output. Each method has a different cost and causes a different amount of pollution.

The government rules 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

18 How can GDP at market prices be calculated if GDP at factor cost is known?

A add taxes, add subsidies

B add taxes, subtract subsidies

C subtract taxes, add subsidies

D subtract taxes, subtract subsidies

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19 Which characteristics of the population, the size of the informal economy and the rate of inflation would mean that Gross Domestic Product (GDP) is likely to be relatively accurate as a comparison of the standard of living over time?

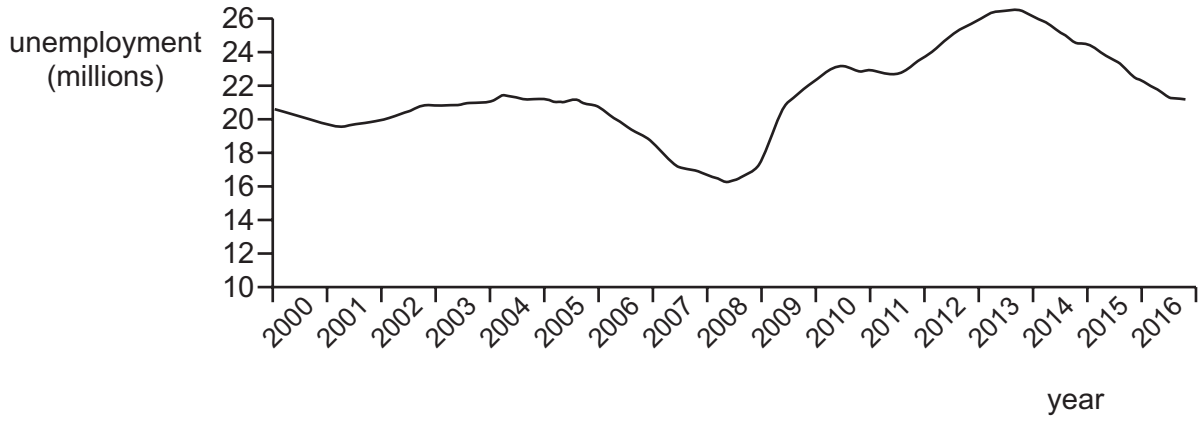
	population	size of informal economy	rate of inflation
A	rising	large	rising
B	rising	small	stable
C	stable	large	rising
D	stable	small	stable

20 The table gives the percentage of employment in the primary, secondary and tertiary sectors in four countries.

Which country is **most** likely to be a developed country?

	primary sector %	secondary sector %	tertiary sector %
A	15	40	45
B	30	40	30
C	35	45	20
D	45	35	20

21 The diagram shows unemployed persons (in millions) for the years 2000 to 2016 for the European Union.



During which period was the highest rate of increase in unemployment experienced?

A 2006 to 2008

B 2008 to 2010

C 2010 to 2012

D 2012 to 2014

22 A large coal mine is forced to close because of falling demand for coal as consumers switch to less-polluting fuels. The government organises retraining courses and recruitment events for the coal mine workers.

Which type of unemployment is the government trying to reduce?

A cyclical

B seasonal

C structural

D technological

23 Economists have proposed that the best policy to promote development is 'trade not aid'.

What is implied by this proposal?

A Developing countries should become self-sufficient.

B Developing countries should be given greater access to markets in developed countries.

C Developing countries should use foreign aid to invest in their export industries.

D Developing countries should use trade barriers to promote import substitution.

24 The table shows the values of selected macroeconomic variables over a period.

	year 1 ($m)	year 2 ($m)
investment	200	220
saving	180	190
exports	100	110
imports	120	140
government expenditure	150	160
taxation	150	160
equilibrium national income	1800	2000

What is the value of the multiplier?

A 2 **B** 4 **C** 5 **D** 10

25 What is **most** likely to increase if an economy enters a negative output gap?

A business confidence

B economic growth rate

C inflation rate

D unemployment rate

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26 Under which conditions will a Keynesian expansionary fiscal policy be **most** likely to take an economy out of a recession without too much inflation?

	demand for money	wage flexibility	aggregate supply curve
A	interest elastic	high	price elastic
B	interest inelastic	high	price inelastic
C	interest elastic	low	price elastic
D	interest inelastic	low	price inelastic

27 What would cause an increase in the transactions demand for money?

A a fall in the price of bonds

B an increase in nominal national income

C an increase in the rate of interest

D an increase in unemployment

28 What may lead to a reduction in bank lending in a country?

A an increase in commercial banks' balances with the central bank

B an increase in the liquidity ratios operated by the country's commercial banks

C an increase in the monetary base of the country

D an increase in the volume of liquid assets held by the country's commercial banks

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[Turn over

29 The table gives details of the inflation and unemployment rates for different countries in 2008 and 2011.

country	inflation rate (% per annum)		unemployment rate (% of workforce)	
	2008	2011	2008	2011
Canada	2.38	2.89	6.15	7.47
France	3.16	2.29	7.81	9.68
Germany	2.75	2.48	7.60	5.98
Japan	1.37	–0.28	3.99	4.55

Which country or countries experienced a trade-off between their inflation and unemployment rates?

A Canada and Germany

B Canada only

C France and Japan

D France only

30 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

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1 Which statement is correct?

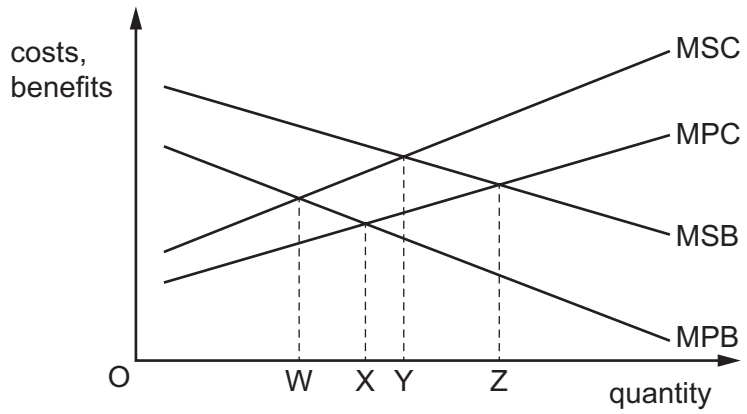
A In a command economy firms compete and profit maximise allocating resources efficiently.

B In a command economy resources are privately owned.

C In a market economy prices are used to signal the value of individual resources.

D In a market economy resources are allocated by central planners.

2 The diagram shows the market for a product, the production of which has both external costs and external benefits.



What is the difference between the level of output that would be produced by the market and the socially optimum level?

A WX **B** WY **C** XY **D** XZ

3 The government is considering building flood defences along a river. It has calculated the costs and benefits as follows.

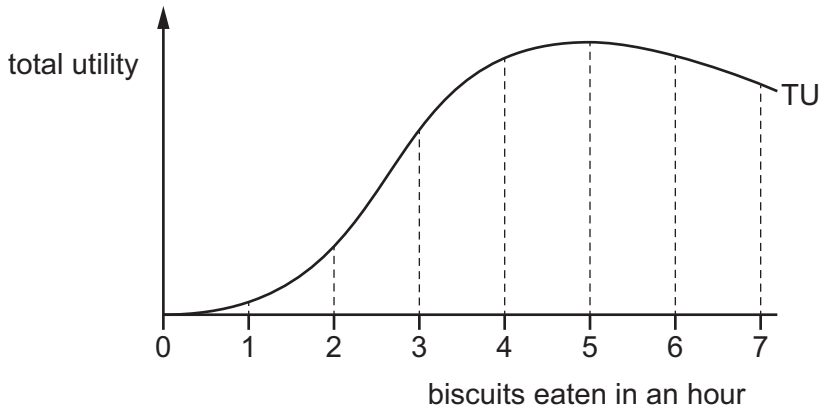
	costs $m	benefits $m
private	450	260
external	60	190

According to cost-benefit analysis, which decision and reasoning about flood defences is correct?

	decision	reasoning
A	build	external benefits are greater than external costs
B	build	social benefits are greater than private benefits
C	do not build	private costs are greater than the external benefits
D	do not build	social costs are greater than the social benefits

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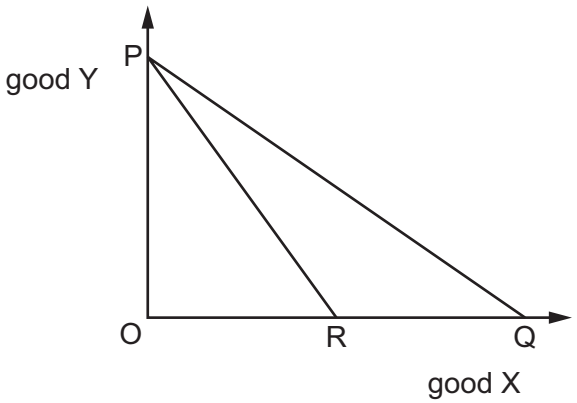
4 The graph shows the total utility (TU) obtained by a consumer from eating biscuits over a period of one hour.



After eating how many biscuits does the consumer's marginal utility begin to diminish?

A 3 **B** 4 **C** 5 **D** 6

5 The diagram shows budget lines for normal goods X and Y.

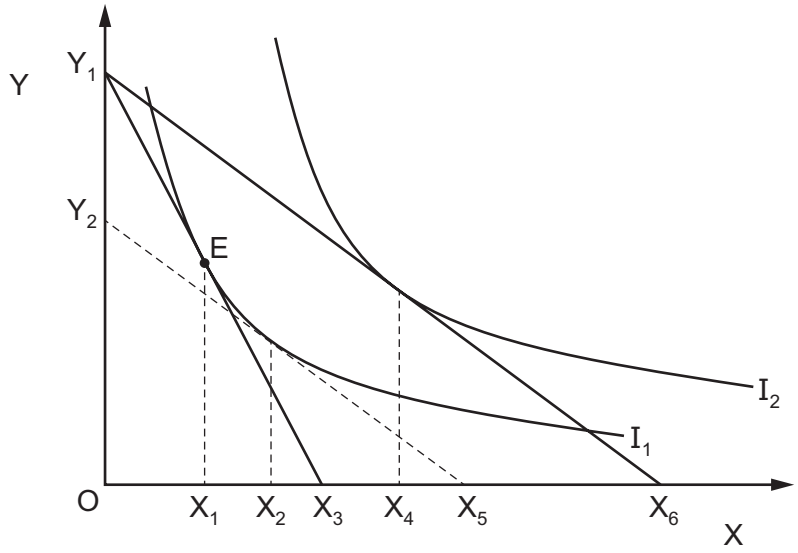


What could cause a budget line to shift from PQ to PR?

	price of X	price of Y	level of consumer incomes
A	fall	rise	fall
B	no change	rise	no change
C	rise	no change	no change
D	rise	no change	rise

6 A consumer spends all of their income on two goods, Y and X, and is at position E. The price of X falls and the price of Y remains constant.

The graph shows indifference curves and budget lines which are used to determine the price, income and substitution effects that are related to this price change.



Which distance gives the income effect of this price change?

A X_1X_2 **B** X_1X_4 **C** X_2X_4 **D** X_5X_6

7 What defines average variable cost?

A total cost divided by the quantity of the variable factor employed

B total variable cost divided by the quantity of the variable factor employed

C total variable cost divided by the output produced

D the addition to total variable cost by producing one more unit of output

8 What **cannot** be changed in the short run?

A the level of stock held by firms

B the level of technology available

C the market price of goods

D the output of individual firms in an industry

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9 The market structure of an industry changed from being an oligopoly to monopolistic competition.

What is **most** likely to have increased?

A an individual firm's ability to influence the market price

B an individual firm's degree of interdependence in the market

C the concentration ratio in the market

D the number of firms in the market

10 A firm has total production cost of $200 000. Its average fixed cost is $120 and its average variable cost is $80.

What are the firm's total fixed costs?

A $12 000 **B** $40 000 **C** $80 000 **D** $120 000

11 What is a characteristic of monopolistic competition?

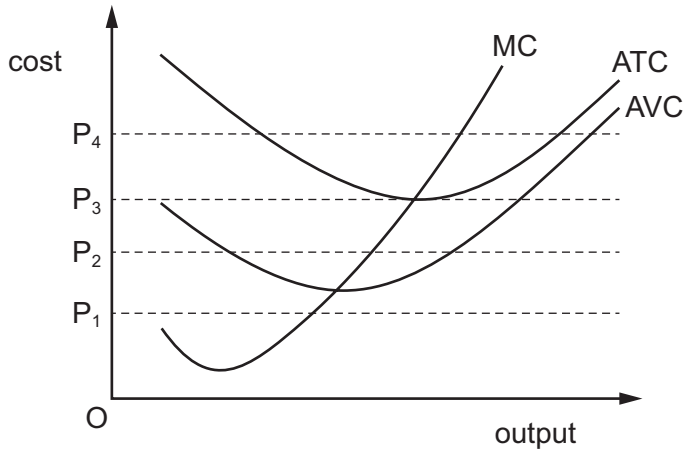
A abnormal profits in the long run

B advertising supporting product differentiation

C all firms charge the same price

D barriers to entry are high

12 The diagram shows the marginal cost (MC), average variable cost (AVC) and average total cost (ATC) curves of a profit maximising firm in a perfectly competitive market.



Which market price would mean the firm would operate in the short run but **not** in the long run?

A P_1 **B** P_2 **C** P_3 **D** P_4

13 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.

14 Assuming there are no externalities, where would a nationalised firm set output to maximise social welfare?

A where average revenue equals average cost

B where average revenue equals marginal cost

C where marginal revenue equals marginal cost

D where marginal revenue is zero

15 What is the **specific** advantage of pollution permits, when compared with an alternative policy of taxes levied on the quantity of pollutants emitted by firms?

A firms have a financial incentive to reduce pollution

B no monitoring of firm's emissions is required

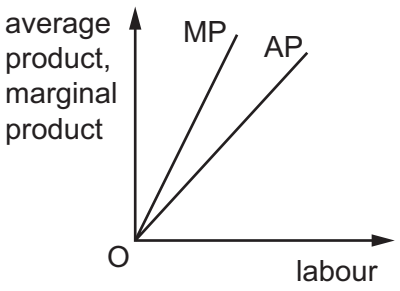
C pollution levels can be reduced to zero

D the reduction in the level of pollution is more predictable

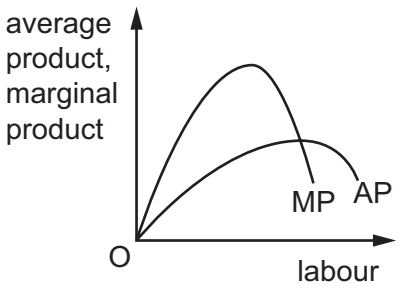
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16 Which diagram correctly shows the relationship between the average product (AP) and the marginal product (MP) of labour, given that the quantities of other factor inputs remain constant?

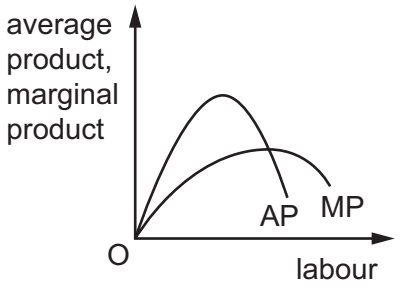
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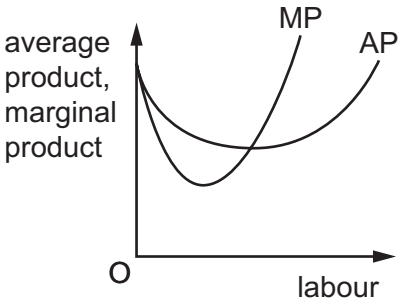
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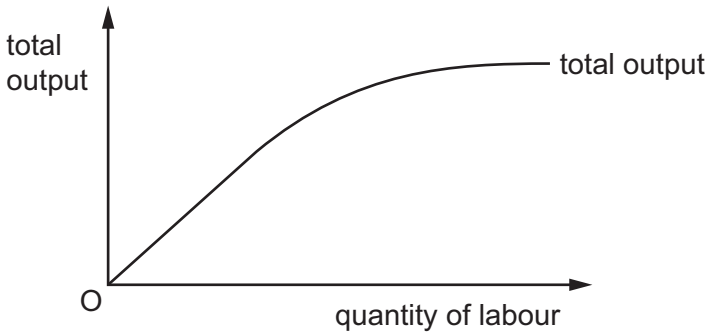
C



D



17 The diagram shows the short-run relationship between the total output of a firm and the quantity of labour.



What can be concluded about the firm?

A It is experiencing increasing returns to scale.

B It is experiencing constant returns to scale.

C The marginal physical product of capital is constant.

D The marginal physical product of labour eventually diminishes.

18 Company X reduces its number of workers from 250 to 200 and as a result its output decreases from 5000 to 4800 units per day.

Company Y increases its number of workers from 800 to 1000 and as a result its output increases from 2000 to 2200 units per day.

What happens to labour productivity of the workers in the two companies?

	company X	company Y
A	falls	rises
B	rises	falls
C	rises	rises
D	falls	falls

19 What is **not** included in the measurement of national income?

A age-related pensions

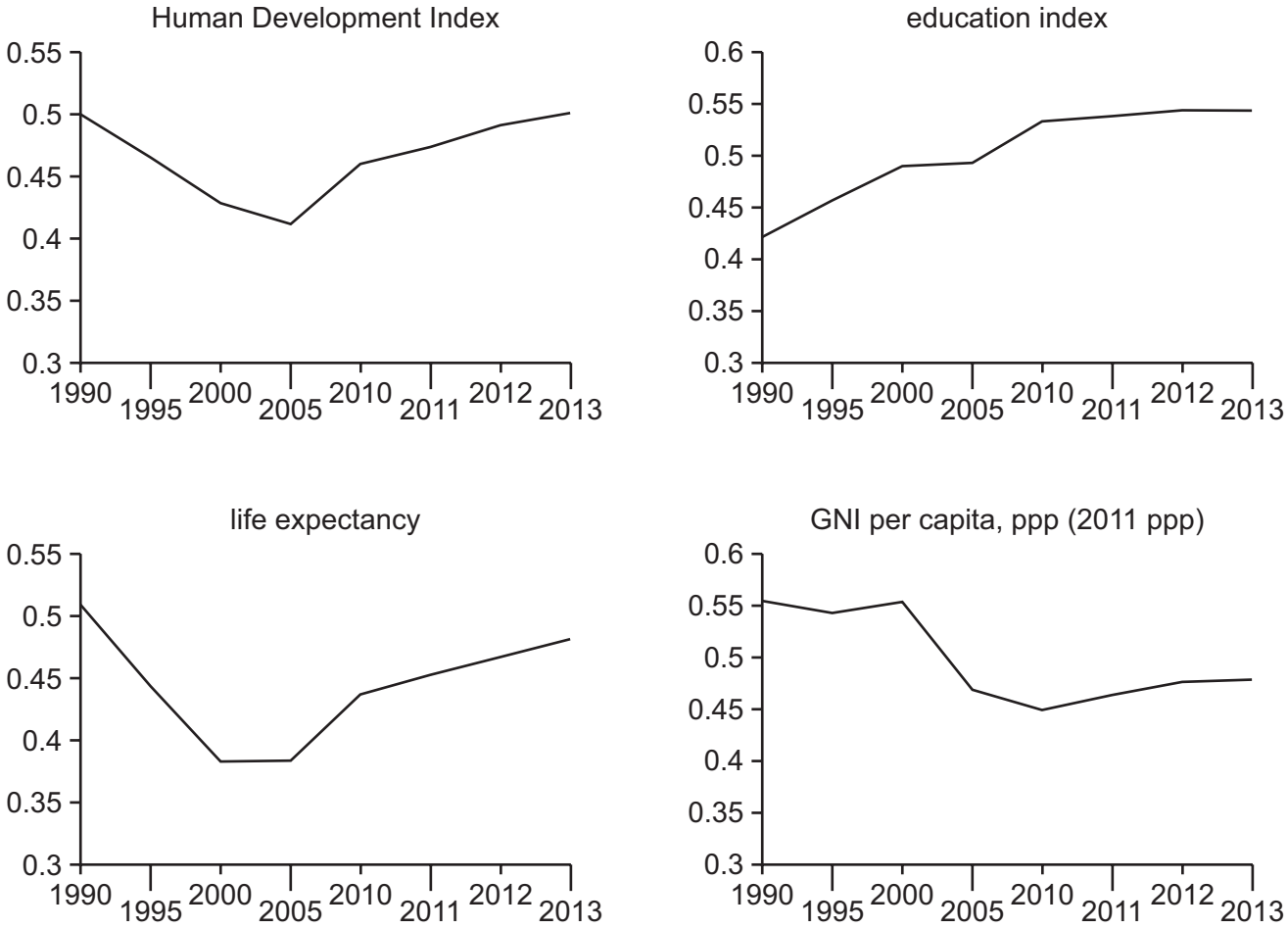
B dividends obtained from foreign investments

C housing authorities' income from rent

D profits distributed to shareholders

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20 The graphs show the Human Development Index and its component parts for Zimbabwe.



Between 2005–2010, which components of HDI have comparable changes to its overall change?

A education and GNI per capita

B education and life expectancy

C education, GNI per capita and life expectancy

D GNI per capita and life expectancy

21 What makes it possible for the increase in real national output to exceed the increase in labour productivity?

A an increase in employment

B an increase in the inflation rate

C an increase in the money supply

D an increase in total earnings

22 The table shows the annual percentage (%) change in China's GDP and the contribution of some of its component parts between 2006 and 2012.

	2006	2007	2008	2009	2010	2011	2012
GDP	12.7	14.2	9.6	9.2	10.4	9.3	7.7
consumption	5.1	5.6	4.2	4.6	4.5	5.2	4.2
investment	5.5	6.0	4.5	8.1	5.5	4.5	3.9
net exports	2.1	2.6	0.9	–3.5	0.4	–0.4	–0.4

What can be concluded about China's economy between 2006 and 2012?

A China's current account was in surplus more years than it was in deficit.

B China's economic rate of growth fell in more years than it rose.

C China's growth was greater overall in consumer goods than in capital goods.

D China's standard of living rose at a decreasing rate.

23 What is a cause of seasonal unemployment?

A a general decrease in the demand for goods and services

B a lack of necessary skills in the workforce

C a temporary change in the pattern of consumers' expenditure

D an unwillingness of workers to move to other parts of the country where there is work

24 Which row correctly identifies leakages from a country's circular flow of income?

	private sector (S > I)	public sector (T > G)	trade sector (X > M)
A	no	no	yes
B	no	yes	yes
C	yes	no	no
D	yes	yes	no

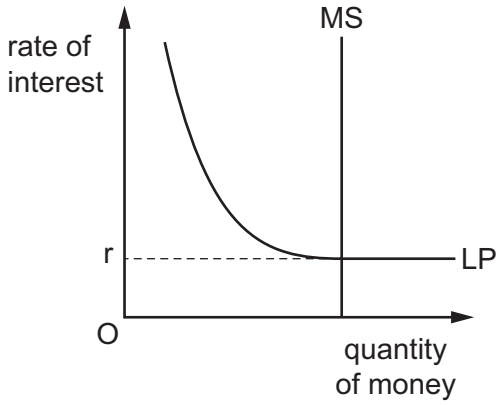
25 In a closed economy with no government expenditure and no taxation, the initial income is $5000 million. All savings are carried out by consumers, who save 20% of any additional income received above $5000 million. Firms plan to invest $1000 million.

What is the value of the multiplier?

A 0.8 **B** 4 **C** 5 **D** 8

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26 The diagram shows a liquidity preference curve (LP) representing the demand to hold money in relation to the rate of interest and the money supply (MS) in an economy. The market is in equilibrium at interest rate r.



If the government increases the money supply, what will be the effect on the interest rate?

A falls below zero

B falls to zero

C increases

D no effect

27 An increase in which of the following will cause a decrease in investment spending?

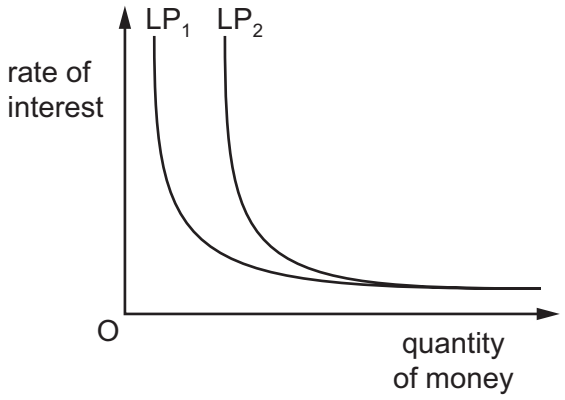
A business confidence

B company profits

C interest rates

D national income

28 The graph shows a shift in the liquidity preference curves for an economy from LP_1 to LP_2.



What might have caused this shift?

	an increase in real national income	increased pessimism about the future of the economy
A	✓	✓
B	✓	✗
C	✗	✓
D	✗	✗

29 What is **most** likely to increase in the short run following a rise in an economy's rate of inflation caused by a demand-side shock?

A the current account deficit on the balance of payments

B the price of government bonds

C the purchasing power of the currency

D the rate of unemployment

30 Which combination of policies is **most** likely to increase output?

	fiscal policy	monetary policy
A	decrease budget deficit	decrease interest rates
B	decrease budget deficit	increase interest rates
C	increase budget deficit	decrease interest rates
D	increase budget deficit	increase interest rates

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ECONOMICS **9708/33**

Paper 3 Multiple Choice **May/June 2019**

1 hour 15 minutes

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

7705407253

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.

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1 When can an economy be said to be economically inefficient?

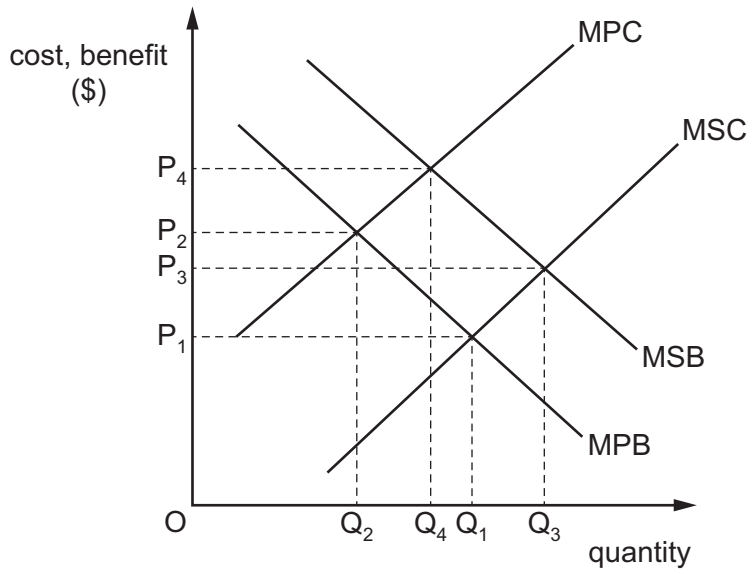
A when it is possible to make some people better off without making other people worse off

B when the distribution of income is socially unacceptable

C when the government sector is growing at the expense of the private sector

D when wage rates rise faster than production

2 The diagram shows cost and benefit curves for a good in a free market.



Which combination is correct?

	actual output	social optimal level of output
A	P_1Q_1	P_3Q_3
B	P_2Q_2	P_3Q_3
C	P_2Q_2	P_4Q_4
D	P_3Q_3	P_4Q_4

3 A food processing firm discharges waste water into the lake next to its factory.

What would reduce the difference between the private cost and the social cost of the firm's actions?

A Local residents are given the right to buy the firm's food at a discount.

B The government subsidises the food processing firm.

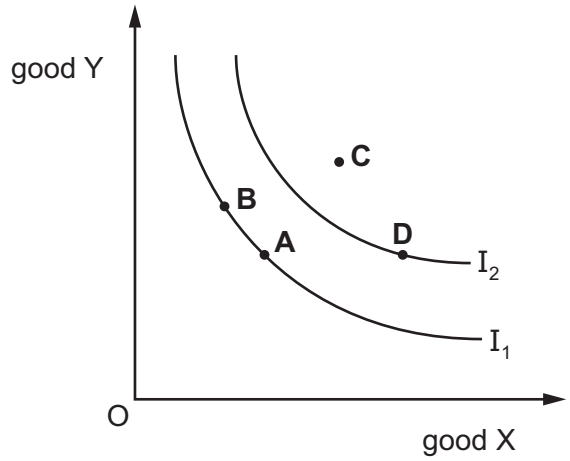
C The lake is bought by the food processing firm.

D The waste water flows from the lake into the sea.

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4 The diagram shows attainable indifference curves, I_1 and I_2, for good X and good Y.

Which point represents the highest level of satisfaction currently attainable?

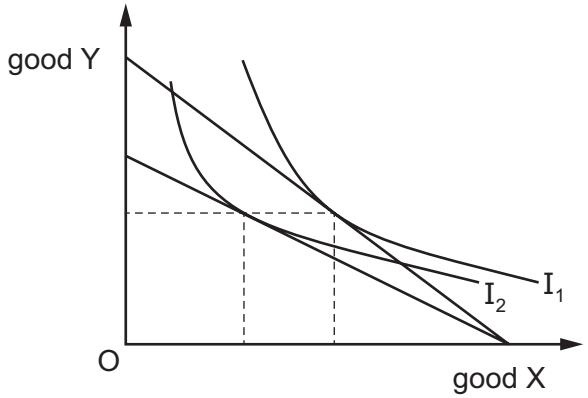


5 The table shows the substitution effect and income effect for a Giffen good and an inferior good as the price of the good changes.

Which combination is correct?

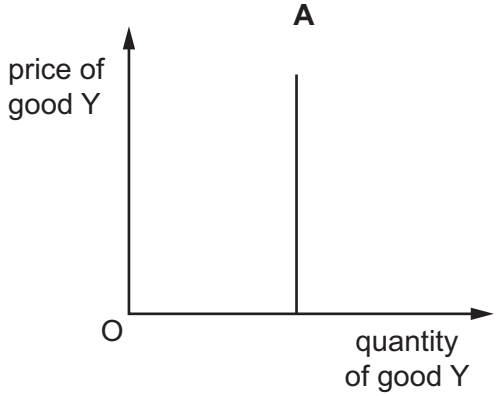
	type of good	price change	demand change from substitution effect	demand change from income effect
A	Giffen	fall	positive	negative
B	Giffen	rise	positive	positive
C	inferior	fall	negative	negative
D	inferior	rise	negative	negative

6 A consumer demands two goods, X and Y. The indifference curve diagram shows the effect of a change in the price of one of these goods on the consumer's equilibrium.

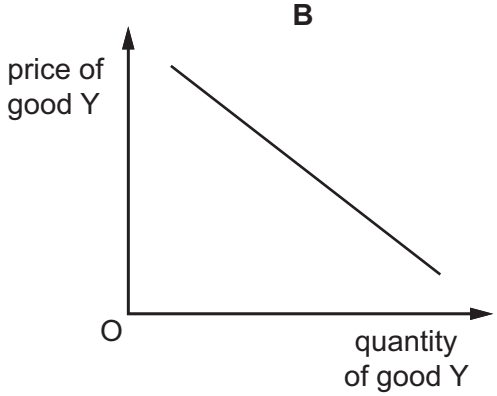


Which demand curve is consistent with the diagram?

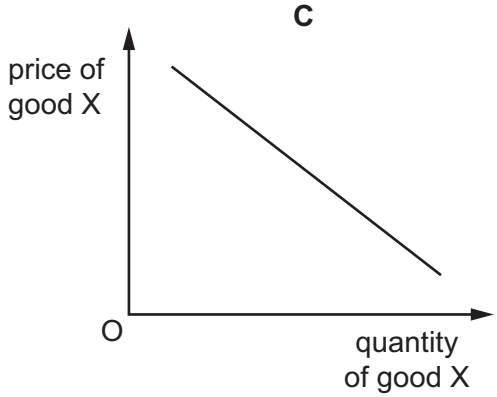
A



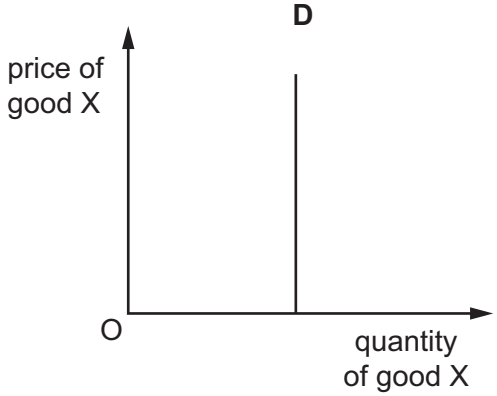
B



C



D



7 In many developed economies, large and small firms often exist side by side in the same industry.

What is **most** likely to explain the survival of the small firms?

A They each offer a much wider range of products.

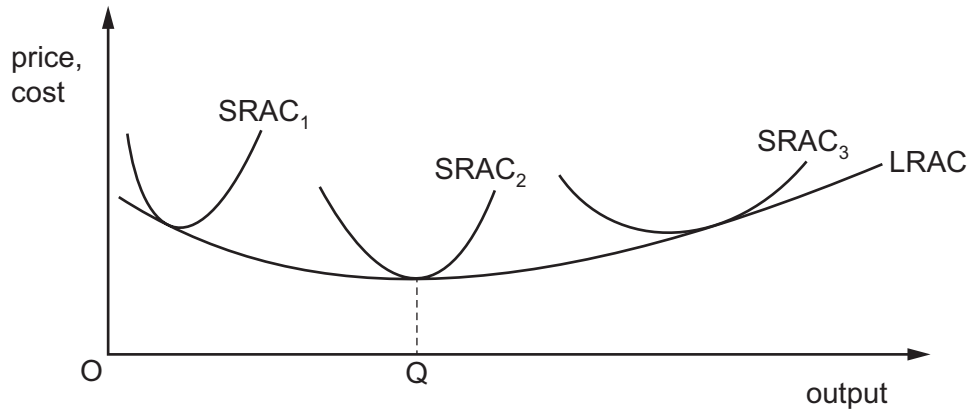
B They have a higher minimum efficient scale.

C They pay much higher wages to their staff.

D They provide a more personal level of consumer service.

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8 The diagram shows short-run (SRAC) and long-run (LRAC) cost curves for a firm.



Which statement is correct?

A When each of the three SRAC curves is U-shaped it shows the existence of economies of scale.

B When the LRAC curve is upward-sloping beyond output OQ it shows the existence of diseconomies of scale.

C When the minimum point of $SRAC_2$ is below that of $SRAC_1$ it shows the existence of the law of variable proportions.

D When the minimum point of $SRAC_2$ is below that of $SRAC_3$ it shows the existence of economies of scale.

9 What is **most** likely to rise as a firm expands?

A energy costs per unit of output

B the cost of components

C the cost of monitoring workers

D the rate of interest paid on borrowing

10 In the long run, what is a feature of monopolistic competition, but **not** of perfect competition?

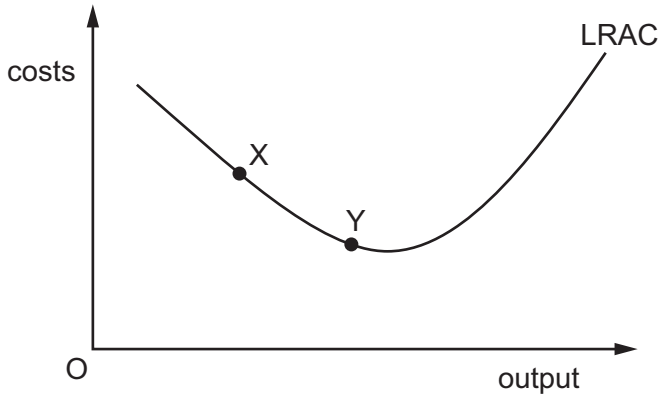
A a small number of buyers

B product differentiation

C the existence of abnormal profits

D the existence of barriers to entry

11 A small European airline currently produces at point X on its long-run average cost curve. It wants a bigger share of the European airline market and proposes to merge with another small European airline. The newly merged firm would produce at point Y on the long-run average cost curve, as shown.



Why might the newly merged firm be able to produce at point Y?

A The new airline can negotiate discounts when buying fuel.

B The new airline has many layers of management.

C The new airline is unable to hire enough pilots.

D The workforce of the new airline lacks morale and is demotivated.

12 A firm sells its product to consumers in two separate markets, M and N.

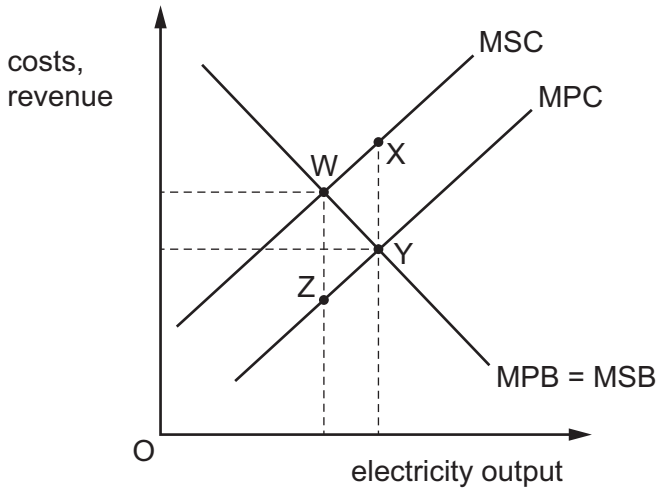
Under which conditions will a policy of price discrimination between the two markets be most profitable for the firm?

	price elasticity of demand in market M	price elasticity of demand in market N	geographical distance between markets M and N
A	1.2	1.2	large
B	1.2	1.2	small
C	1.8	1.2	large
D	1.8	1.2	small

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13 A community relies on a private company to supply electricity using a coal-fired power station.

The power station causes air pollution which imposes an external cost shown in the diagram.



The government decides to impose a tax on the electricity company to correct market failure.

What represents the tax?

A WX **B** WY **C** XY **D** YZ

14 Some workers in a low-paid job decide to work longer hours to increase their disposable income. However, this decision reduces state-provided benefits, leaving them no better off.

What does this describe?

A debt trap

B liquidity trap

C poverty trap

D unemployment trap

15 Which policy is likely to be the **least** effective means of producing a more equal distribution of income amongst households?

A the imposition of minimum wage levels below the levels produced by the market

B the introduction of progressive personal income taxes

C the payment of child benefits to low income households

D the removal of sales taxes on food consumed by lower income households

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16 The table shows the main characteristics of employment in two occupations.

	occupation X	occupation Y
average annual wage	$100 000	$60 000
number of weeks annual leave	5 weeks	10 weeks
average length of working week	48 hours	44 hours
job security	low	high
length of training course to obtain job qualification	1 year	2 years

What can definitely be deduced from the table?

A Those employed in occupation Y attach greater importance to job security.

B Those employed in occupation X attach less importance to leisure activities.

C There will be more competition for places on training courses to enter occupation X than occupation Y.

D Occupation Y has more non-pecuniary advantages than occupation X.

17 The table shows a firm that has four possible methods of production to make its desired output. Each method has a different cost and causes a different amount of pollution.

The government rules 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

18 How can GDP at market prices be calculated if GDP at factor cost is known?

A add taxes, add subsidies

B add taxes, subtract subsidies

C subtract taxes, add subsidies

D subtract taxes, subtract subsidies

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19 Which characteristics of the population, the size of the informal economy and the rate of inflation would mean that Gross Domestic Product (GDP) is likely to be relatively accurate as a comparison of the standard of living over time?

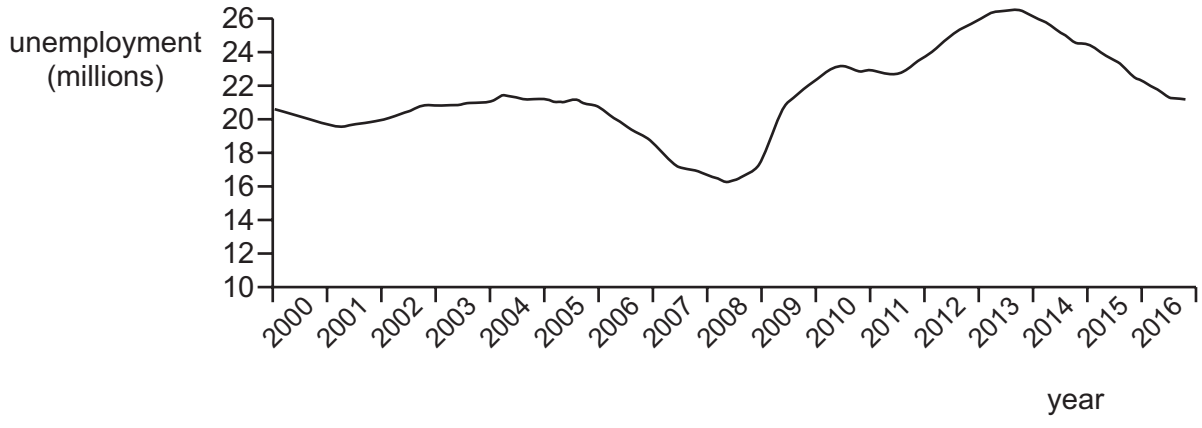
	population	size of informal economy	rate of inflation
A	rising	large	rising
B	rising	small	stable
C	stable	large	rising
D	stable	small	stable

20 The table gives the percentage of employment in the primary, secondary and tertiary sectors in four countries.

Which country is **most** likely to be a developed country?

	primary sector %	secondary sector %	tertiary sector %
A	15	40	45
B	30	40	30
C	35	45	20
D	45	35	20

21 The diagram shows unemployed persons (in millions) for the years 2000 to 2016 for the European Union.



During which period was the highest rate of increase in unemployment experienced?

A 2006 to 2008

B 2008 to 2010

C 2010 to 2012

D 2012 to 2014

22 A large coal mine is forced to close because of falling demand for coal as consumers switch to less-polluting fuels. The government organises retraining courses and recruitment events for the coal mine workers.

Which type of unemployment is the government trying to reduce?

A cyclical

B seasonal

C structural

D technological

23 Economists have proposed that the best policy to promote development is 'trade not aid'.

What is implied by this proposal?

A Developing countries should become self-sufficient.

B Developing countries should be given greater access to markets in developed countries.

C Developing countries should use foreign aid to invest in their export industries.

D Developing countries should use trade barriers to promote import substitution.

24 The table shows the values of selected macroeconomic variables over a period.

	year 1 ($m)	year 2 ($m)
investment	200	220
saving	180	190
exports	100	110
imports	120	140
government expenditure	150	160
taxation	150	160
equilibrium national income	1800	2000

What is the value of the multiplier?

A 2 **B** 4 **C** 5 **D** 10

25 What is **most** likely to increase if an economy enters a negative output gap?

A business confidence

B economic growth rate

C inflation rate

D unemployment rate

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26 Under which conditions will a Keynesian expansionary fiscal policy be **most** likely to take an economy out of a recession without too much inflation?

	demand for money	wage flexibility	aggregate supply curve
A	interest elastic	high	price elastic
B	interest inelastic	high	price inelastic
C	interest elastic	low	price elastic
D	interest inelastic	low	price inelastic

27 What would cause an increase in the transactions demand for money?

A a fall in the price of bonds

B an increase in nominal national income

C an increase in the rate of interest

D an increase in unemployment

28 What may lead to a reduction in bank lending in a country?

A an increase in commercial banks' balances with the central bank

B an increase in the liquidity ratios operated by the country's commercial banks

C an increase in the monetary base of the country

D an increase in the volume of liquid assets held by the country's commercial banks

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[Turn over

29 The table gives details of the inflation and unemployment rates for different countries in 2008 and 2011.

country	inflation rate (% per annum)		unemployment rate (% of workforce)	
	2008	2011	2008	2011
Canada	2.38	2.89	6.15	7.47
France	3.16	2.29	7.81	9.68
Germany	2.75	2.48	7.60	5.98
Japan	1.37	–0.28	3.99	4.55

Which country or countries experienced a trade-off between their inflation and unemployment rates?

A Canada and Germany

B Canada only

C France and Japan

D France only

30 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

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