Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/31**

Paper 3 A Level Multiple Choice **May/June 2023**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

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.

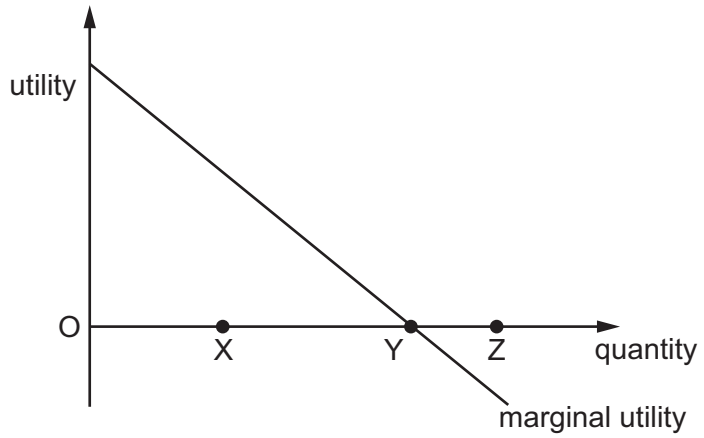
This document has **12** pages. Any blank pages are indicated.

© UCLES 2023

[Turn over

stemup.co.uk

1 What does the marginal utility diagram show?



A Total utility becomes negative if the quantity consumed increases from Y to Z.

B Total utility decreases if the quantity consumed increases from X to Y.

C Total utility decreases if the quantity consumed increases from Y to Z.

D Total utility is maximised at X.

2 The initial allocation of goods between three consumers is shown.

consumer 1	consumer 2	consumer 3	total
2	5	10	17

Which row shows a Pareto improvement in the allocation of goods between consumers?

	consumer 1	consumer 2	consumer 3	total
A	2	5	11	18
B	4	5	9	18
C	4	4	10	18
D	6	6	6	18

3 Which assumption in relation to an indifference theory diagram is **not** correct?

A The consumer's income may change.

B The consumer may change their satisfaction-maximising objective.

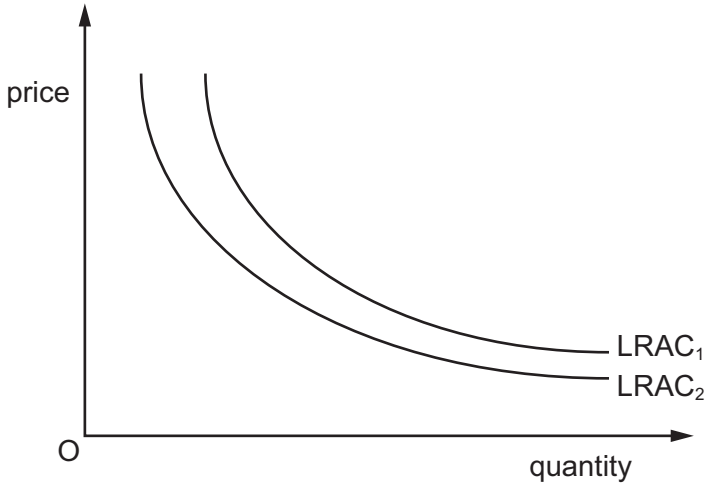
C The consumers may change their tastes and preferences.

D The relative prices of products may change.

© UCLES 2023

stemup.co.uk

4 Which type of efficiency is shown by the shift from long-run average cost curve 1 ($LRAC_1$) to long-run average cost curve 2 ($LRAC_2$)?



A allocative

B dynamic

C Pareto

D productive

5 A firm wishes to maximise its revenue.

Which condition must be met to achieve this goal?

A average cost = average revenue

B marginal cost = average revenue

C marginal cost = marginal revenue

D marginal revenue = zero

6 The costs and revenue of four firms operating in a monopolistically competitive market are shown.

firm	total variable cost $m	total fixed cost $m	total revenue $m
W	20	10	15
X	40	50	80
Y	300	300	500
Z	600	100	550

Which firms will continue to operate in the short run but will shut down in the long run?

A X and W **B** X and Y **C** W and Z **D** Y and Z

© UCLES 2023

stemup.co.uk

7 A firm at its current level of production finds that its short-run marginal cost is less than its short-run average variable cost.

Which conclusion about the firm can be drawn from this information?

A Average variable cost is constant.

B Average variable cost is falling.

C Average variable cost is greater than its average total cost.

D Average variable cost is rising.

8 Steel producer X takes over its main competitor, steel producer Y.

What would X expect to happen to the price elasticity of demand for its product and its long-run average cost as a result of this takeover?

	price elasticity of demand	long-run average cost
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

9 What is an example of an external cost?

A distribution costs

B energy costs

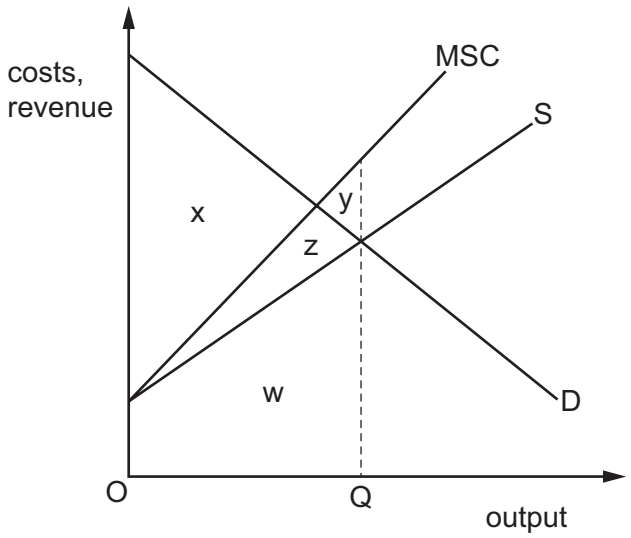
C labour costs

D road congestion costs

© UCLES 2023

stemup.co.uk

10 The diagram shows the demand for and supply of a good and the marginal social costs (MSC) for that good.



Assuming there are no external benefits, which area measures the net social benefit at output OQ?

A x **B** x – y **C** x + y **D** x – y – z

11 What would definitely result from the divorce of ownership and control?

A decreased moral hazard

B the principal agent problem

C greater productive efficiency

D increased profit maximisation

12 One reason for market failure is the existence of public goods.

Which policy option is appropriate for addressing such a market failure?

A direct provision of the good by the government

B provision of detailed information to consumers

C subsidising firms that currently produce the good

D the adoption of maximum price controls

© UCLES 2023

stemup.co.uk

13 In 2020, the governor of California issued an order to ban the sale of new vehicles from 2035 that are powered by petrol or diesel fuel.

Which type of government policy is this?

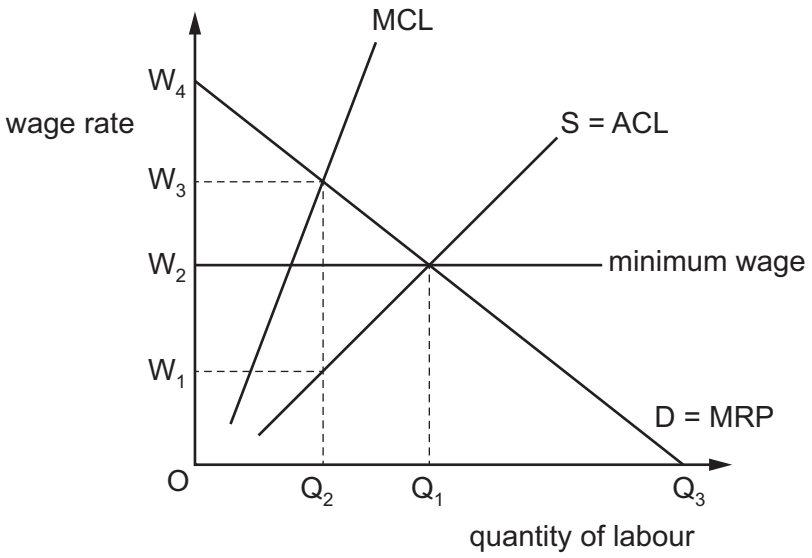
A a nudge

B a permit to pollute

C nationalisation

D regulation

14 The diagram illustrates a monopsony labour market in which the government has imposed a minimum wage.



What is the difference between the wage the monopsonist wishes to pay and the wage received by labour?

A W_1W_3 **B** W_1W_2 **C** W_2W_3 **D** W_2W_4

15 Economics textbooks state that labour is a derived demand for a firm in imperfect competition.

How is the demand curve for labour derived?

A by multiplying the average physical product by the average revenue

B by multiplying the average physical product by the marginal revenue

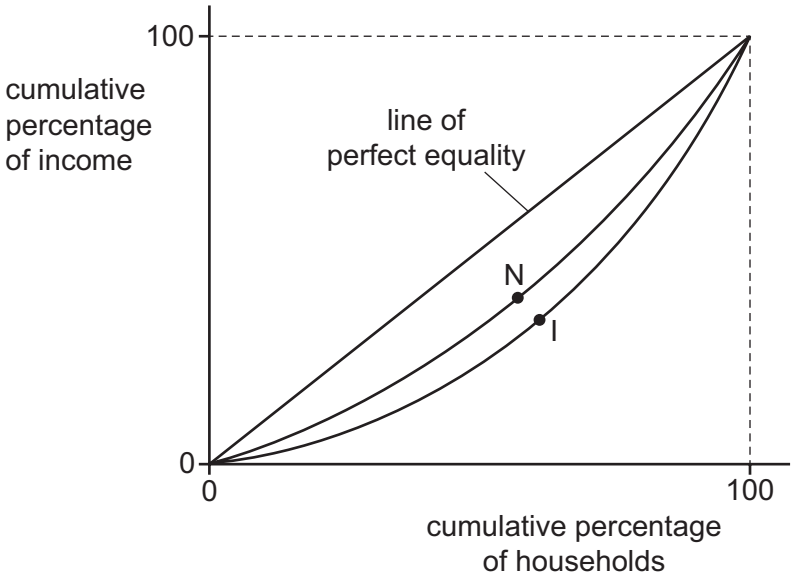
C by multiplying the marginal physical product by the marginal cost

D by multiplying the marginal physical product by the marginal revenue

© UCLES 2023

stemup.co.uk

16 The diagram shows the Lorenz curves for Norway (N) and India (I).



What can be concluded from a comparison of the Lorenz curves?

A India is more likely to have lower indirect taxes and a public sector education system than Norway.

B India is more likely to have a progressive income tax system and means tested benefits than Norway.

C Norway is more likely to have a progressive tax system and public sector pensions than India.

D Norway is likely to have a higher percentage of tax generated from indirect taxes and privately funded pensions than India.

17 A reason for government intervention in the workings of the economy is to attempt to correct a market failure. Sometimes, though, government failure may occur.

What is **not** a possible reason for government failure?

A Governments may have to make decisions on the basis of out-of-date information.

B Governments may make decisions that reduce negative externalities.

C The extent of the market failure may be difficult to judge.

D When circumstances change, a government may be unable to respond quickly.

stemup.co.uk

18 A government wishes to support growth in the economy's fishing industry.

Which policy is likely to achieve sustainable growth in the fishing industry?

A giving more modern fishing boats with larger nets to workers who fish for a living

B paying bonus payments for larger fish catches to workers who fish for a living

C setting up a fish cooperative so that workers who fish for a living receive a higher price for the fish that they catch

D subsidising the building of a fish farm in order to encourage workers who fish for a living to switch from sea fishing

19 Four citizens have each been unemployed for the past six months.

Which citizen would **not** be characterised as being structurally unemployed?

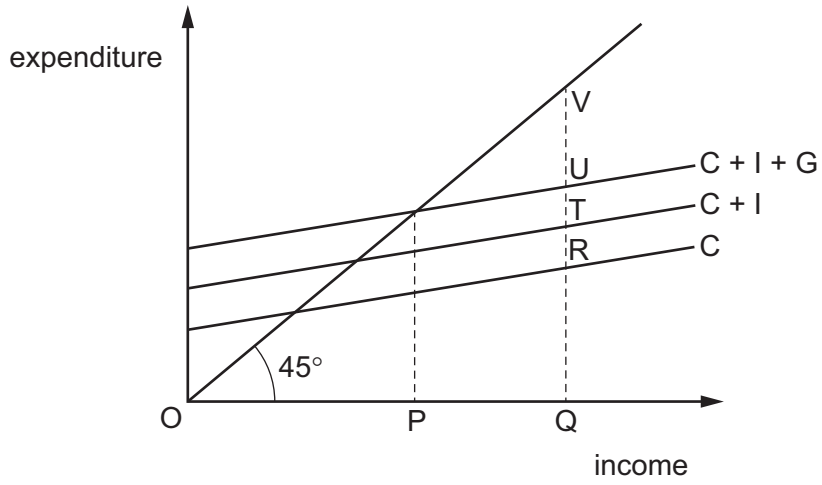
A worked as a coal miner but coal-fired power stations are now being closed and is not willing to retrain

B no longer works in a town centre coffee shop because fewer people are buying goods in the town centre since a pandemic

C cannot move with the firm that has relocated because of changing demand for its products

D has many skills and is waiting to decide which job might be the most suitable

20 In the diagram, OP is the equilibrium level of income and OQ is the full employment level of income in a closed economy.



What is the deflationary gap?

A PQ **B** RV **C** TV **D** UV

stemup.co.uk

21 What is the most effective policy a government could introduce to reduce frictional unemployment?

A cut welfare spending on benefits

B improve information about job vacancies

C reduce tax rates

D raise interest rates

22 In a closed economy with no government sector, when will an increase in investment spending generate the largest increase in equilibrium national income?

A when households have a high level of autonomous consumption

B when households have a high level of compulsory saving

C when households have a high marginal propensity to consume

D when households have a high marginal propensity to save

23 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

24 A country is a net importer of oil. World oil prices have risen over the year.

Assuming that all other factors remain the same, how is this likely to affect inflation, trade balance and unemployment in this country?

	inflation	trade balance	unemployment
A	decrease	no change	increase
B	increase	improve	decrease
C	increase	worsen	increase
D	decrease	no change	decrease

© UCLES 2023

stemup.co.uk

25 What would reduce the effectiveness of a supply-side stimulus to the economy?

A an imposition of maximum hours in a working week

B an increase in public sector spending

C the provision of new training schemes

D the relaxation of import controls on raw materials

26 A multinational company (MNC) shifts its manufacturing capacity to a developing country.

What is likely to be the short-run effect of this in the developing country?

	employment increases	investment increases	short-run balance of payments current account improves
A	no	no	yes
B	no	yes	no
C	yes	no	yes
D	yes	yes	no

27 To indicate the changing income distribution, the Kuznets curve plots gross domestic product per capita against an economic variable X.

What is variable X?

A the exchange rate

B the level of income inequality

C the price level

D the rate of interest

28 Economists define the unemployed as being those who are not in work but are actively seeking work. Other groups of people in the population of working age include those classed as inactive or self-employed.

Which groups of people are included as part of a country's labour force?

	unemployed	inactive	self-employed
A	no	no	no
B	yes	no	yes
C	yes	yes	no
D	no	yes	yes

© UCLES 2023

stemup.co.uk

29 The table shows some United Nations population statistics for 2010 and estimates for 2050.

type of region	total population (m) 2010	total population (m) 2050	urban population (m) 2010	urban population (m) 2050	population urbanised (%) 2010	population urbanised (%) 2050
more developed	1237	1275	930	1100	75	86
less developed	5671	7875	2556	5186	45	66
least developed	855	1673	249	914	29	55

Which relationship can be confirmed from the table?

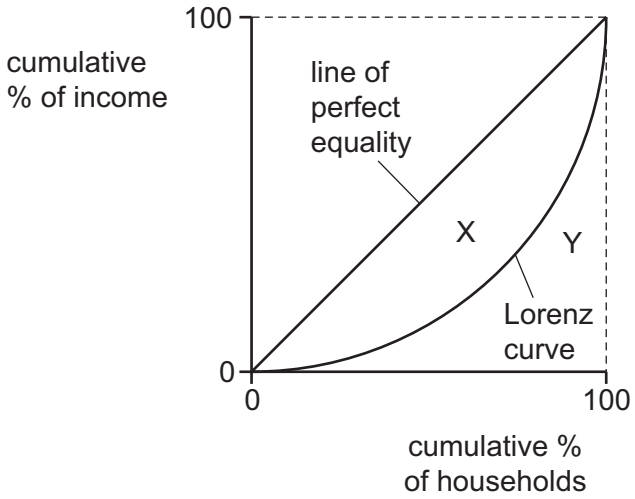
A The least developed regions have the largest urban populations, actual or predicted, in both years.

B The more developed regions have the lowest growth rate of urbanisation between 2010 and 2050.

C The type of region with the greatest total population in 2010 is predicted to have the greatest rate of population growth by 2050.

D The type of region with the greatest urban population in 2010 is predicted to have the highest level of urbanisation by 2050.

30 The diagram shows a Lorenz curve with two areas, X and Y, identified.



How is the corresponding Gini coefficient calculated?

A X divided by (X plus Y)

B (X plus Y) divided by X

C (X plus Y) divided by Y

D Y divided by (X plus Y)

© UCLES 2023

stemup.co.uk

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 2023

stemup.co.uk

Surname	StemUp Model Solution
Answer booklet	Write the question number in the left-hand margin at the start of each answer.

Question number

Paper 9708/31: Multiple choice answers

1	C	Beyond Y marginal utility is negative, so each extra unit from Y to Z reduces total utility.
2	A	Consumer 3 gains one unit and nobody loses any, so someone is better off with no one worse off.
3	B	Indifference analysis assumes the consumer always aims to maximise satisfaction; income, tastes and relative prices can change.
4	B	The whole LRAC curve shifts down over time (new technology, innovation), which is dynamic efficiency.
5	D	Total revenue is at its maximum where MR = 0: one more unit adds nothing to revenue.
6	B	X: TR 80 > TVC 40 but < TC 90. Y: TR 500 > TVC 300 but < TC 600. Both cover variable cost only, so stay open in the short run but leave in the long run.
7	B	When MC is below AVC, each extra unit costs less than the average, so it pulls AVC down.
8	A	Fewer substitutes remain, so demand becomes less price elastic; the larger firm gains economies of scale, so LRAC falls.
9	D	Road congestion is a cost borne by third parties, not by the firm or consumer causing it.
10	B	Net social benefit = total benefit (area under D) − social cost (area under MSC) up to Q = x − y.
11	B	Managers (agents) may pursue their own aims rather than the owners' (principals'), so the principal agent problem arises.

Question number		
12	A	Public goods are non-excludable, so free riders mean the market will not supply them: the state must provide directly.
13	D	A legal ban on selling petrol and diesel cars is a rule that must be obeyed: regulation.
14	B	Where MCL = MRP the monopsonist wants to pay W1 (on ACL), but workers receive the minimum wage W2: gap W1W2.
15	D	MRP = MPP × MR, and the MRP curve is the firm's demand curve for labour.
16	C	Norway's Lorenz curve is nearer the line of equality, consistent with progressive taxes and public pensions.
17	B	Reducing negative externalities improves allocation, so it is a success, not a cause of government failure.
18	D	A fish farm lets output grow while reducing pressure on wild sea stocks, so growth can be sustained.
19	D	This person is choosing between jobs while searching, which is frictional (search) unemployment.
20	D	At full-employment income OQ, the 45° line is at V but C + I + G is only at U, so the deflationary gap is UV.
21	B	Frictional unemployment comes from the time taken to find jobs, so better vacancy information shortens search.
22	C	Multiplier = 1 ÷ (1 − MPC), so a high MPC gives the largest multiplier and rise in income.
23	C	Both are expansionary: a bigger deficit and lower interest rates both raise aggregate demand and output.
24	C	Dearer oil raises costs and prices, increases the import bill (trade balance worsens) and cuts output, so unemployment rises.
25	A	A limit on weekly working hours restricts labour supply, so it works against raising productive capacity.
26	D	New factories create jobs and add investment, but importing equipment and

Question number		
		profit outflows worsen the current account in the short run.
27	B	The Kuznets curve plots income inequality against GDP per capita (inverted U).
28	B	The labour force is the employed (including self-employed) plus the unemployed; the inactive are excluded.
29	B	Urbanisation rises 75% to 86% (11 points) in more developed regions, against 21 and 26 points elsewhere.
30	A	Gini = area between equality line and Lorenz curve ÷ total area under the equality line = X ÷ (X + Y).

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/32**

Paper 3 A Level Multiple Choice **May/June 2023**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

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 2023

[Turn over

stemup.co.uk

1 Studies show that some dentists replace patients' teeth more often than is necessary.

Which factor helps to explain why excessive dental treatment may take place?

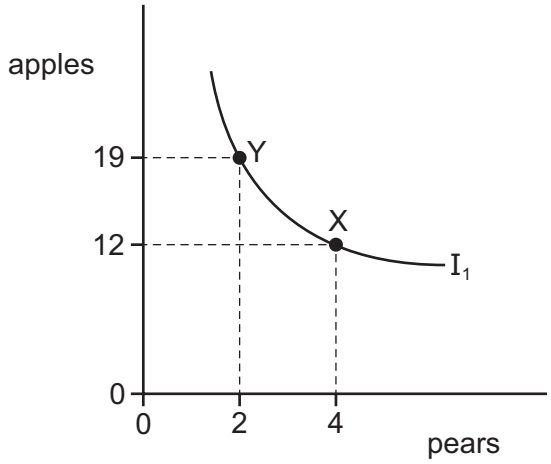
A the existence of asymmetric information

B the existence of dynamic efficiency

C the existence of positive externalities

D the existence of social benefits

2 The diagram shows an individual's indifference curve, I_1, for apples and pears.



What can be concluded from the movement from point X to point Y on this curve?

A The individual can afford more apples than pears.

B The individual has not changed their total utility.

C The individual prefers apples to pears.

D The individual has gained more utility by moving from point X to point Y.

3 What is **not** necessary for successful price discrimination?

A ability to separate markets

B different price elasticities of demand in each market

C monopoly power

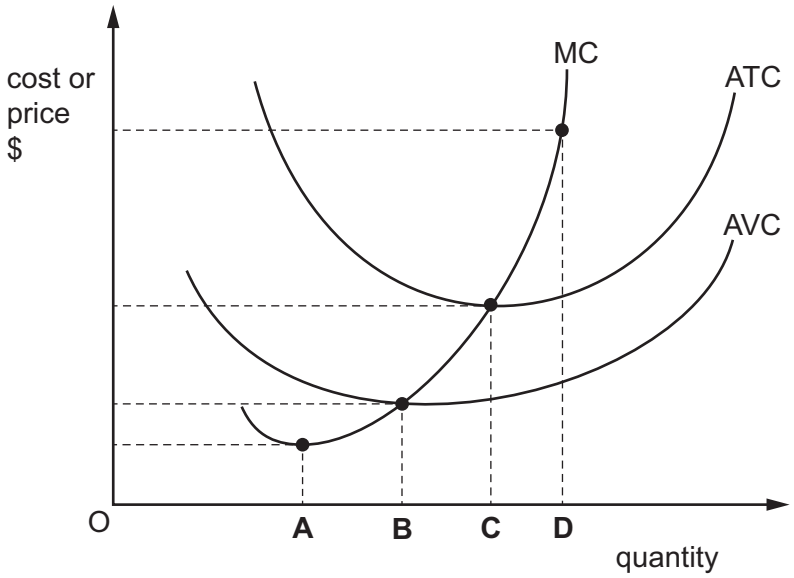
D price leadership

© UCLES 2023

stemup.co.uk

4 The diagram shows the cost curves of a firm.

What is the level of output below which the firm will shut down in the long run?



5 Steel producer X takes over its main competitor, steel producer Y.

What would X expect to happen to the average revenue for its product and its long-run average cost as a result of this takeover?

	average revenue	long-run average cost
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

6 Which statement is correct?

A External benefit minus private benefit equals social benefit.

B Private benefit minus external benefit equals social benefit.

C Social benefit minus external benefit equals private benefit.

D Social benefit plus private benefit equals external benefit.

© UCLES 2023

stemup.co.uk

7 What can be done to help to overcome moral hazard?

A charging the same insurance premium to all people in the same age group

B designing insurance contracts so that the insurance company and client share any loss

C giving unconditional financial support to banks to protect jobs

D guaranteeing jobs for bank managers to provide a sense of security

8 Which action would produce a positive externality of production?

A A child is vaccinated against measles.

B A consumer donates products to a local food bank.

C A firm rebuilds a local road when constructing its new factory.

D A government pays a subsidy to firms producing cars.

9 A privately owned sole supplier of gas operates in an unregulated market with high barriers to entry and exit.

Which row is most likely to indicate the economic efficiency resulting from the firm's position in this market?

	productive efficiency	allocative efficiency	dynamic efficiency
A	no	no	no
B	no	no	yes
C	no	yes	yes
D	yes	no	yes

10 A government increases the protection that patents offer to inventors of new products and processes.

Which barriers to entry into an industry are higher as a result of this increase?

A cost barriers

B legal barriers

C market barriers

D physical barriers

© UCLES 2023

stemup.co.uk

11 The table shows how a firm's total cost changes as more workers are employed.

number of workers	total costs $
1	1200
2	2000
3	2700

What would be the effect of employing a third worker on the firm's average costs and its marginal costs?

	average costs	marginal costs
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 A government hopes to build an athletics stadium to hold the World Games. The stadium would have high private and external costs, but it would increase national pride.

Why would it be difficult to use cost-benefit analysis to decide whether to build the stadium?

A The materials needed to build the stadium will need to be imported.

B The external costs of clearing land for building will outweigh the private costs.

C The stadium will not be used much for athletics after the World Games.

D The valuation of national pride will be complex to assess.

13 What will lead the demand curve for labour to shift to the right?

A a decrease in the marginal productivity of labour

B a decrease in the wage rate

C an increase in the marginal productivity of labour

D an increase in the wage rate

© UCLES 2023

stemup.co.uk

14 The production schedule indicates how total output increases as up to five workers are employed per week.

employment of workers	total product (units)
0	0
1	6.0
2	13.0
3	21.0
4	27.5
5	33.5

What is the marginal product when the average product per worker equals 7.0 units?

A 6.0 units **B** 6.5 units **C** 7.0 units **D** 8.0 units

15 What is likely to cause a more equal distribution of income in the long run?

A a reduction in the top rate of taxation

B an increase in government spending on education and training

C an increase in unemployment

D privatisation of the education sector

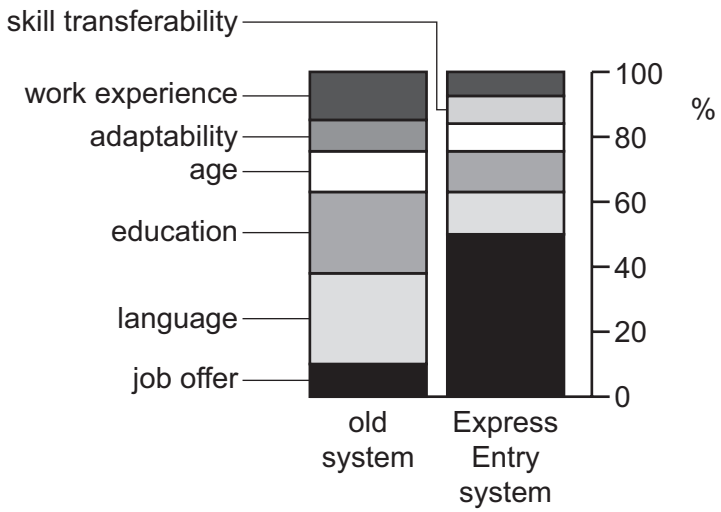
© UCLES 2023

stemup.co.uk

16 Immigrants are awarded entry points according to their ability to fulfil criteria set by the Canadian Government. A new Express Entry system for the immigration of skilled workers was introduced.

The diagram shows the change in the relative importance or weighting given to these criteria between the old and new systems.

Criteria weighting (%) for skilled worker immigration



What can be concluded from the diagram?

A Canada intended to maintain the same level of skilled immigrants under both systems.

B Canada wanted a smaller number of highly educated skilled immigrants.

C Certainty of employment for skilled immigrants was made the main criterion.

D Skilled immigrants needed to have fewer years of work experience than previously.

17 A government imposes a maximum price for electricity.

Which statement justifying this measure might be considered valid on economic grounds?

A It will encourage electricity suppliers to invest in additional capacity.

B It will increase the incentive for consumers to conserve energy.

C It will prevent the monopolistic exploitation of consumers.

D It will prevent the rationing of electricity through power cuts.

18 Which statement best describes demand-induced investment?

A It is spending on capital goods by firms because the rate of growth in demand for final goods and services increases.

B It is spending on capital goods by firms because the cost of borrowing has fallen.

C It is spending on capital goods by firms because they want to access new technology to improve the output per worker.

D It is spending on new capital goods by firms replacing old and obsolete capital goods.

© UCLES 2023

stemup.co.uk

19 Middle Eastern countries earn foreign exchange from exports of oil and natural gas. The World Economic Forum has encouraged oil producers to assist low-income countries in achieving economic growth.

Which policy by Middle Eastern countries would be **least** likely to achieve this economic growth in low-income countries?

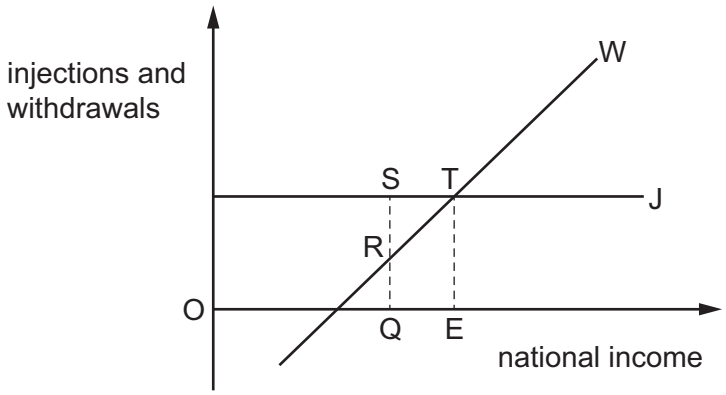
A assisting low-income countries to overcome foreign exchange shortages by writing off debts

B enabling low-income countries to undertake capital projects for supplies of clean water through financial aid

C hiring mainly labour from low-income countries to build infrastructure in the Middle East

D reducing exports of fuels to low-income countries to lower pollution of the environment

20 An open economy has injections, J, into the circular flow of income and withdrawals, W.



If the full employment level of national income is OQ, what represents the inflationary gap?

A QE **B** RT **C** SR **D** ST

21 Which condition will produce the highest value of the national income multiplier in an open economy with a government sector?

A high average and marginal tax rates

B high marginal propensity to save

C low level of autonomous consumption

D low marginal propensity to import

22 Which type of unemployment can be classified as voluntary?

A cyclical

B frictional

C structural

D technological

© UCLES 2023

stemup.co.uk

23 Increased borrowing by the government results in higher interest charges and this leads to less private investment expenditure.

Of what is this an example?

A an automatic stabiliser

B crowding out

C the accelerator

D the substitution effect

24 Governments set economic policy aims.

What will be **least** likely to occur if all these aims are achieved?

A a decrease in the average standard of living

B a decrease in the currency's foreign exchange rate

C an increase in the level of frictional unemployment

D an increase in the rate of inflation

25 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

26 An economy imports most of the factors of production used in the manufacture of its exported goods.

What effect would depreciation of this economy's rate of exchange have?

	price of imported goods in the domestic currency	price of exported goods in the domestic currency
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

27 The table shows the Human Development Index (HDI) values for India in 2014 and 2020.

	HDI value
2014	0.60
2020	0.64

Which conclusion is most likely to be drawn from the table about the change in the HDI value from 2014 to 2020?

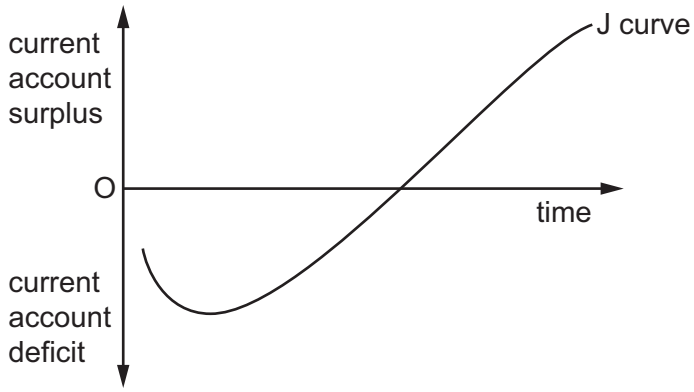
A India had a fall in life expectancy at birth.

B India had a fall in real national income per head.

C India had a rise in environmental pollution and crime rates.

D India had a rise in the mean years of schooling of the adult population.

28 The diagram shows a J curve which indicates that a fall in the exchange rate will worsen the current account position before it starts to improve.



What is said to explain this?

A a time lag before recognising that prices have changed

B an improvement in the quality of goods produced

C the demand for imports and exports is elastic in the short run

D the supply of goods is price elastic

29 Which country is likely to be the most highly developed?

	Gini coefficient	death rate	relative size of tertiary sector
A	high	high	high
B	low	low	low
C	low	low	high
D	low	high	low

© UCLES 2023

stemup.co.uk

30 What is central to economic growth but **not** necessarily to economic development?

A an expansion of the range of economic choices available to individuals

B an increase in Gross Domestic Product

C the eradication of absolute poverty

D the satisfaction of basic needs amongst the whole population

© UCLES 2023

stemup.co.uk

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 2023

stemup.co.uk

Surname	StemUp Model Solution
Answer booklet	Write the question number in the left-hand margin at the start of each answer.

Question number

Paper 9708/32: Multiple choice answers

1	A	Patients cannot judge what treatment they need, so dentists know more: asymmetric information.
2	B	X and Y are on the same indifference curve I1, so the individual is equally satisfied at both.
3	D	Price discrimination needs market power, separable markets and different PEDs; price leadership is not needed.
4	C	In the long run price must cover ATC; the minimum price is the lowest point of ATC (where MC = ATC) at output C.
5	C	With its main rival gone the firm has more market power and can raise price (AR rises); economies of scale cut LRAC.
6	C	Social benefit = private benefit + external benefit, so social benefit − external benefit = private benefit.
7	B	If the client shares any loss, they keep an incentive to take care, which reduces moral hazard.
8	C	Rebuilding the road while producing benefits other road users who do not pay: a positive production externality.
9	B	An unregulated monopoly sets P > MC and does not produce at minimum AC, but supernormal profit can fund innovation.
10	B	Patents are legal rights that stop others copying a product, so legal barriers rise.
11	B	AC per worker falls from $1000 to $900; but each extra worker adds less output (diminishing returns), so marginal cost per unit of output rises.
12	D	National pride is intangible with no market price, so giving it a money value

Question number		
		is very difficult.
13	C	Demand for labour is MRP = MPP × MR, so higher marginal productivity shifts it right.
14	D	AP = 7.0 at 3 workers (21.0 ÷ 3). Marginal product of the 3rd worker = 21.0 − 13.0 = 8.0 units.
15	B	Education and training raise the skills and earning power of low-income workers, narrowing income gaps.
16	C	Under Express Entry the job offer weighting rises to about 50%, by far the largest criterion.
17	C	A monopoly supplier could charge high prices; a price ceiling stops this exploitation of consumers.
18	A	Accelerator: investment is induced by a rise in the rate of growth of demand for final output.
19	D	Cutting fuel exports to low-income countries removes energy they need for production, so growth is least likely.
20	D	Injections equal withdrawals at T (income OE), above full-employment income OQ; the inflationary gap is shown as ST.
21	D	Multiplier = 1 ÷ (MPS + MPT + MPM); a low MPM means smaller leakages, so a larger multiplier.
22	B	Frictional unemployment is people choosing to search between jobs, so it is voluntary.
23	B	Government borrowing raises interest rates and so reduces private investment: crowding out.
24	A	Achieving growth, low unemployment and stable prices raises living standards, so a fall is least likely.
25	A	Higher VAT raises tax revenue, so the main aim is to reduce the budget deficit.
26	D	Depreciation makes imports dearer in domestic currency; costlier imported

Question number		
		inputs raise the domestic price of exports too.
27	D	HDI combines life expectancy, education (years of schooling) and income per head, so a rise fits more schooling.
28	A	Buyers take time to recognise and react to the new prices (inelastic in the short run), so the deficit worsens first.
29	C	Low inequality, low death rate and a large tertiary sector are all features of a highly developed economy.
30	B	Economic growth is an increase in real GDP; development is broader (choices, poverty, basic needs).

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/33**

Paper 3 A Level Multiple Choice **May/June 2023**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

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.

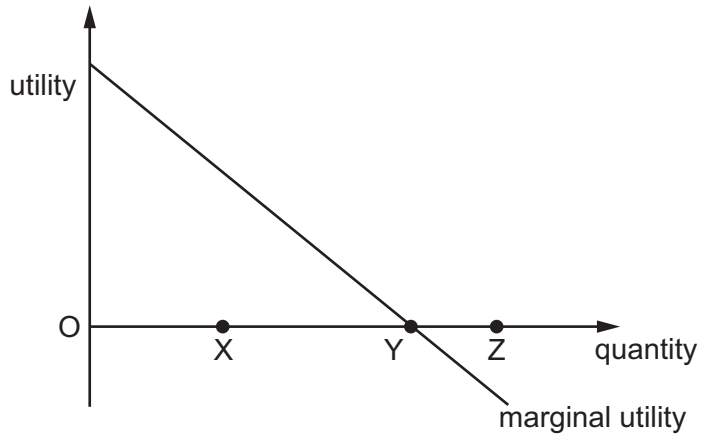
This document has **12** pages. Any blank pages are indicated.

© UCLES 2023

[Turn over

stemup.co.uk

1 What does the marginal utility diagram show?



A Total utility becomes negative if the quantity consumed increases from Y to Z.

B Total utility decreases if the quantity consumed increases from X to Y.

C Total utility decreases if the quantity consumed increases from Y to Z.

D Total utility is maximised at X.

2 The initial allocation of goods between three consumers is shown.

consumer 1	consumer 2	consumer 3	total
2	5	10	17

Which row shows a Pareto improvement in the allocation of goods between consumers?

	consumer 1	consumer 2	consumer 3	total
A	2	5	11	18
B	4	5	9	18
C	4	4	10	18
D	6	6	6	18

3 Which assumption in relation to an indifference theory diagram is **not** correct?

A The consumer's income may change.

B The consumer may change their satisfaction-maximising objective.

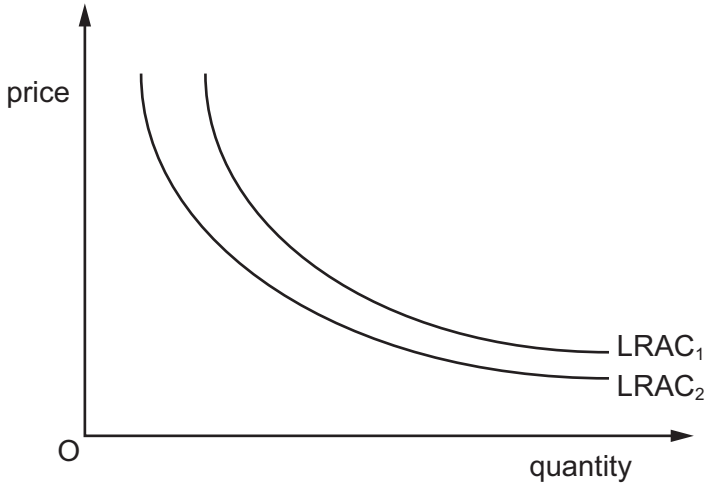
C The consumers may change their tastes and preferences.

D The relative prices of products may change.

© UCLES 2023

stemup.co.uk

4 Which type of efficiency is shown by the shift from long-run average cost curve 1 ($LRAC_1$) to long-run average cost curve 2 ($LRAC_2$)?



A allocative

B dynamic

C Pareto

D productive

5 A firm wishes to maximise its revenue.

Which condition must be met to achieve this goal?

A average cost = average revenue

B marginal cost = average revenue

C marginal cost = marginal revenue

D marginal revenue = zero

6 The costs and revenue of four firms operating in a monopolistically competitive market are shown.

firm	total variable cost $m	total fixed cost $m	total revenue $m
W	20	10	15
X	40	50	80
Y	300	300	500
Z	600	100	550

Which firms will continue to operate in the short run but will shut down in the long run?

A X and W **B** X and Y **C** W and Z **D** Y and Z

© UCLES 2023

stemup.co.uk

7 A firm at its current level of production finds that its short-run marginal cost is less than its short-run average variable cost.

Which conclusion about the firm can be drawn from this information?

A Average variable cost is constant.

B Average variable cost is falling.

C Average variable cost is greater than its average total cost.

D Average variable cost is rising.

8 Steel producer X takes over its main competitor, steel producer Y.

What would X expect to happen to the price elasticity of demand for its product and its long-run average cost as a result of this takeover?

	price elasticity of demand	long-run average cost
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

9 What is an example of an external cost?

A distribution costs

B energy costs

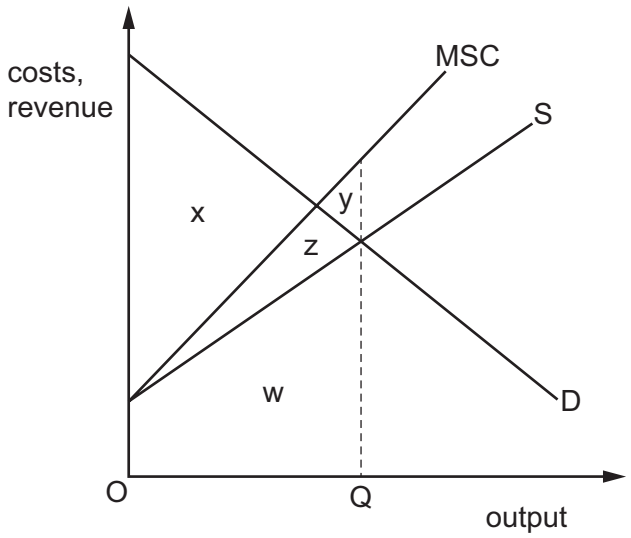
C labour costs

D road congestion costs

© UCLES 2023

stemup.co.uk

10 The diagram shows the demand for and supply of a good and the marginal social costs (MSC) for that good.



Assuming there are no external benefits, which area measures the net social benefit at output OQ?

A x **B** x – y **C** x + y **D** x – y – z

11 What would definitely result from the divorce of ownership and control?

A decreased moral hazard

B the principal agent problem

C greater productive efficiency

D increased profit maximisation

12 One reason for market failure is the existence of public goods.

Which policy option is appropriate for addressing such a market failure?

A direct provision of the good by the government

B provision of detailed information to consumers

C subsidising firms that currently produce the good

D the adoption of maximum price controls

stemup.co.uk

13 In 2020, the governor of California issued an order to ban the sale of new vehicles from 2035 that are powered by petrol or diesel fuel.

Which type of government policy is this?

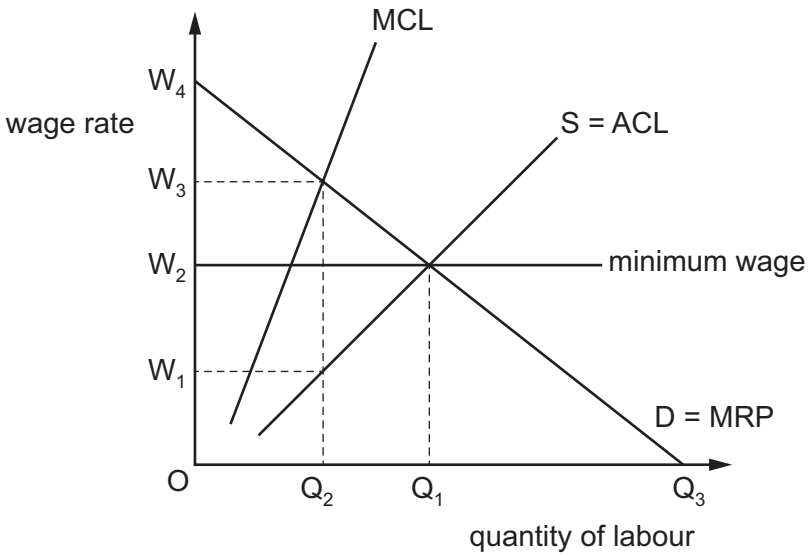
A a nudge

B a permit to pollute

C nationalisation

D regulation

14 The diagram illustrates a monopsony labour market in which the government has imposed a minimum wage.



What is the difference between the wage the monopsonist wishes to pay and the wage received by labour?

A W_1W_3 **B** W_1W_2 **C** W_2W_3 **D** W_2W_4

15 Economics textbooks state that labour is a derived demand for a firm in imperfect competition.

How is the demand curve for labour derived?

A by multiplying the average physical product by the average revenue

B by multiplying the average physical product by the marginal revenue

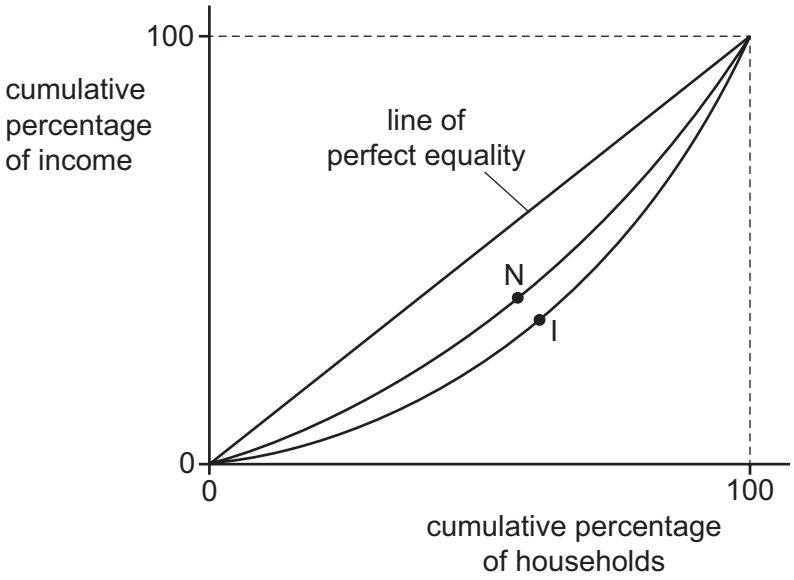
C by multiplying the marginal physical product by the marginal cost

D by multiplying the marginal physical product by the marginal revenue

© UCLES 2023

stemup.co.uk

16 The diagram shows the Lorenz curves for Norway (N) and India (I).



What can be concluded from a comparison of the Lorenz curves?

A India is more likely to have lower indirect taxes and a public sector education system than Norway.

B India is more likely to have a progressive income tax system and means tested benefits than Norway.

C Norway is more likely to have a progressive tax system and public sector pensions than India.

D Norway is likely to have a higher percentage of tax generated from indirect taxes and privately funded pensions than India.

17 A reason for government intervention in the workings of the economy is to attempt to correct a market failure. Sometimes, though, government failure may occur.

What is **not** a possible reason for government failure?

A Governments may have to make decisions on the basis of out-of-date information.

B Governments may make decisions that reduce negative externalities.

C The extent of the market failure may be difficult to judge.

D When circumstances change, a government may be unable to respond quickly.

stemup.co.uk

18 A government wishes to support growth in the economy's fishing industry.

Which policy is likely to achieve sustainable growth in the fishing industry?

A giving more modern fishing boats with larger nets to workers who fish for a living

B paying bonus payments for larger fish catches to workers who fish for a living

C setting up a fish cooperative so that workers who fish for a living receive a higher price for the fish that they catch

D subsidising the building of a fish farm in order to encourage workers who fish for a living to switch from sea fishing

19 Four citizens have each been unemployed for the past six months.

Which citizen would **not** be characterised as being structurally unemployed?

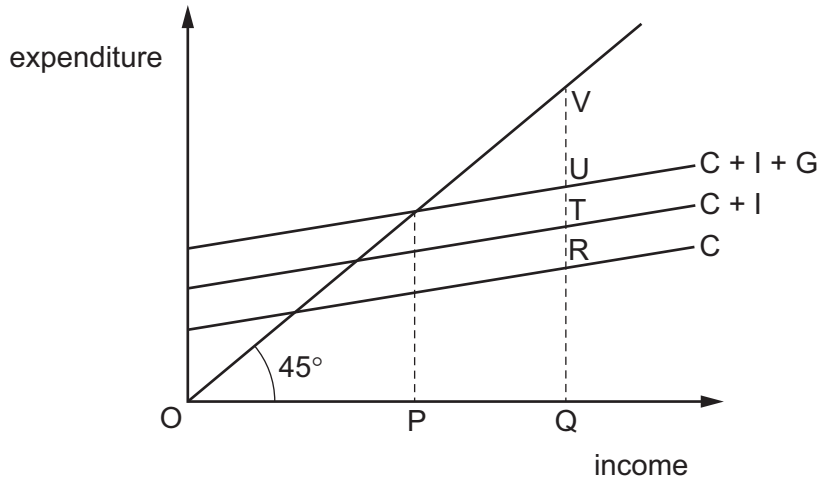
A worked as a coal miner but coal-fired power stations are now being closed and is not willing to retrain

B no longer works in a town centre coffee shop because fewer people are buying goods in the town centre since a pandemic

C cannot move with the firm that has relocated because of changing demand for its products

D has many skills and is waiting to decide which job might be the most suitable

20 In the diagram, OP is the equilibrium level of income and OQ is the full employment level of income in a closed economy.



What is the deflationary gap?

A PQ **B** RV **C** TV **D** UV

stemup.co.uk

21 What is the most effective policy a government could introduce to reduce frictional unemployment?

A cut welfare spending on benefits

B improve information about job vacancies

C reduce tax rates

D raise interest rates

22 In a closed economy with no government sector, when will an increase in investment spending generate the largest increase in equilibrium national income?

A when households have a high level of autonomous consumption

B when households have a high level of compulsory saving

C when households have a high marginal propensity to consume

D when households have a high marginal propensity to save

23 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

24 A country is a net importer of oil. World oil prices have risen over the year.

Assuming that all other factors remain the same, how is this likely to affect inflation, trade balance and unemployment in this country?

	inflation	trade balance	unemployment
A	decrease	no change	increase
B	increase	improve	decrease
C	increase	worsen	increase
D	decrease	no change	decrease

© UCLES 2023

stemup.co.uk

25 What would reduce the effectiveness of a supply-side stimulus to the economy?

A an imposition of maximum hours in a working week

B an increase in public sector spending

C the provision of new training schemes

D the relaxation of import controls on raw materials

26 A multinational company (MNC) shifts its manufacturing capacity to a developing country.

What is likely to be the short-run effect of this in the developing country?

	employment increases	investment increases	short-run balance of payments current account improves
A	no	no	yes
B	no	yes	no
C	yes	no	yes
D	yes	yes	no

27 To indicate the changing income distribution, the Kuznets curve plots gross domestic product per capita against an economic variable X.

What is variable X?

A the exchange rate

B the level of income inequality

C the price level

D the rate of interest

28 Economists define the unemployed as being those who are not in work but are actively seeking work. Other groups of people in the population of working age include those classed as inactive or self-employed.

Which groups of people are included as part of a country's labour force?

	unemployed	inactive	self-employed
A	no	no	no
B	yes	no	yes
C	yes	yes	no
D	no	yes	yes

© UCLES 2023

stemup.co.uk

29 The table shows some United Nations population statistics for 2010 and estimates for 2050.

type of region	total population (m) 2010	total population (m) 2050	urban population (m) 2010	urban population (m) 2050	population urbanised (%) 2010	population urbanised (%) 2050
more developed	1237	1275	930	1100	75	86
less developed	5671	7875	2556	5186	45	66
least developed	855	1673	249	914	29	55

Which relationship can be confirmed from the table?

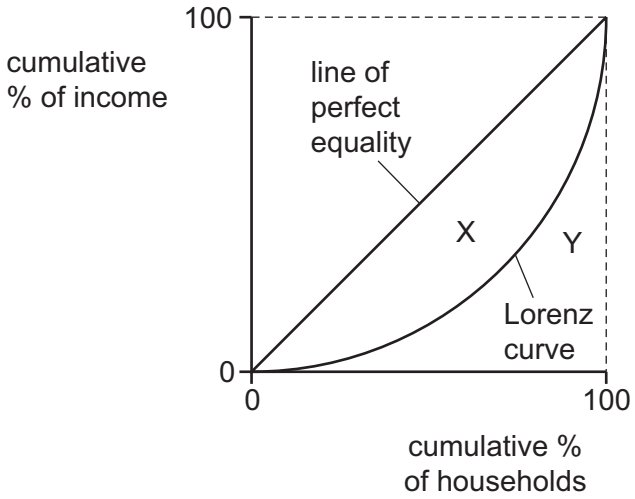
A The least developed regions have the largest urban populations, actual or predicted, in both years.

B The more developed regions have the lowest growth rate of urbanisation between 2010 and 2050.

C The type of region with the greatest total population in 2010 is predicted to have the greatest rate of population growth by 2050.

D The type of region with the greatest urban population in 2010 is predicted to have the highest level of urbanisation by 2050.

30 The diagram shows a Lorenz curve with two areas, X and Y, identified.



How is the corresponding Gini coefficient calculated?

A X divided by (X plus Y)

B (X plus Y) divided by X

C (X plus Y) divided by Y

D Y divided by (X plus Y)

© UCLES 2023

stemup.co.uk

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 2023

stemup.co.uk

Surname	StemUp Model Solution
Answer booklet	Write the question number in the left-hand margin at the start of each answer.

Question number

Paper 9708/33: Multiple choice answers

1	C	Beyond Y marginal utility is negative, so each extra unit from Y to Z reduces total utility.
2	A	Consumer 3 gains one unit and nobody loses any, so someone is better off with no one worse off.
3	B	Indifference analysis assumes the consumer always aims to maximise satisfaction; income, tastes and relative prices can change.
4	B	The whole LRAC curve shifts down over time (new technology, innovation), which is dynamic efficiency.
5	D	Total revenue is at its maximum where MR = 0: one more unit adds nothing to revenue.
6	B	X: TR 80 > TVC 40 but < TC 90. Y: TR 500 > TVC 300 but < TC 600. Both cover variable cost only, so stay open in the short run but leave in the long run.
7	B	When MC is below AVC, each extra unit costs less than the average, so it pulls AVC down.
8	A	Fewer substitutes remain, so demand becomes less price elastic; the larger firm gains economies of scale, so LRAC falls.
9	D	Road congestion is a cost borne by third parties, not by the firm or consumer causing it.
10	B	Net social benefit = total benefit (area under D) − social cost (area under MSC) up to Q = x − y.
11	B	Managers (agents) may pursue their own aims rather than the owners' (principals'), so the principal agent problem arises.

Question number		
12	A	Public goods are non-excludable, so free riders mean the market will not supply them: the state must provide directly.
13	D	A legal ban on selling petrol and diesel cars is a rule that must be obeyed: regulation.
14	B	Where MCL = MRP the monopsonist wants to pay W1 (on ACL), but workers receive the minimum wage W2: gap W1W2.
15	D	MRP = MPP × MR, and the MRP curve is the firm's demand curve for labour.
16	C	Norway's Lorenz curve is nearer the line of equality, consistent with progressive taxes and public pensions.
17	B	Reducing negative externalities improves allocation, so it is a success, not a cause of government failure.
18	D	A fish farm lets output grow while reducing pressure on wild sea stocks, so growth can be sustained.
19	D	This person is choosing between jobs while searching, which is frictional (search) unemployment.
20	D	At full-employment income OQ, the 45° line is at V but C + I + G is only at U, so the deflationary gap is UV.
21	B	Frictional unemployment comes from the time taken to find jobs, so better vacancy information shortens search.
22	C	Multiplier = 1 ÷ (1 − MPC), so a high MPC gives the largest multiplier and rise in income.
23	C	Both are expansionary: a bigger deficit and lower interest rates both raise aggregate demand and output.
24	C	Dearer oil raises costs and prices, increases the import bill (trade balance worsens) and cuts output, so unemployment rises.
25	A	A limit on weekly working hours restricts labour supply, so it works against raising productive capacity.
26	D	New factories create jobs and add investment, but importing equipment and

Question number		
		profit outflows worsen the current account in the short run.
27	B	The Kuznets curve plots income inequality against GDP per capita (inverted U).
28	B	The labour force is the employed (including self-employed) plus the unemployed; the inactive are excluded.
29	B	Urbanisation rises 75% to 86% (11 points) in more developed regions, against 21 and 26 points elsewhere.
30	A	Gini = area between equality line and Lorenz curve ÷ total area under the equality line = X ÷ (X + Y).