Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/31**

Paper 3 A Level Multiple Choice **May/June 2024**

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 2024

[Turn over

stemup.co.uk

1 Which statement about the concept of utility is correct?

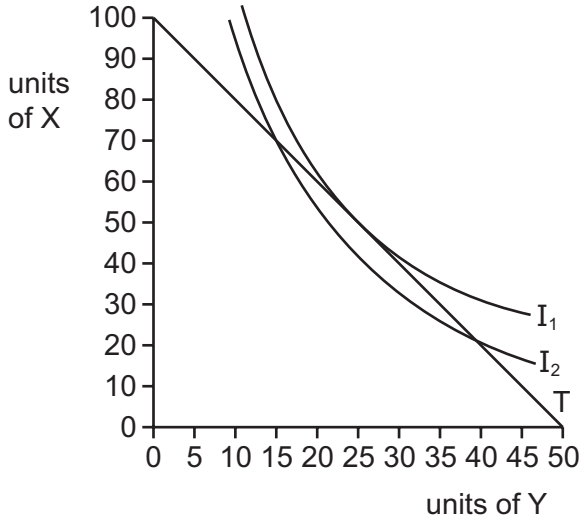
A Diminishing marginal utility means that producers become less efficient the more they produce.

B If marginal utility is above average utility, average utility must be rising.

C The equi-marginal principle says that a consumer gets equal total satisfaction from each item purchased.

D Total utility continually rises as the level of consumption rises.

2 The diagram shows indifference curves I_1, I_2 and a budget line T.



Which combination of X and Y gives the consumer maximum satisfaction?

	units of X	units of Y
A	100	0
B	70	15
C	50	25
D	20	40

3 A medical team provides vaccinations for children to prevent an outbreak of an infectious disease.

Why would this be described as a positive externality?

A Additional benefit might be gained as the disease no longer spreads.

B Any kind of medical help will improve the condition of the children.

C No action would be taken unless the medical team intervened.

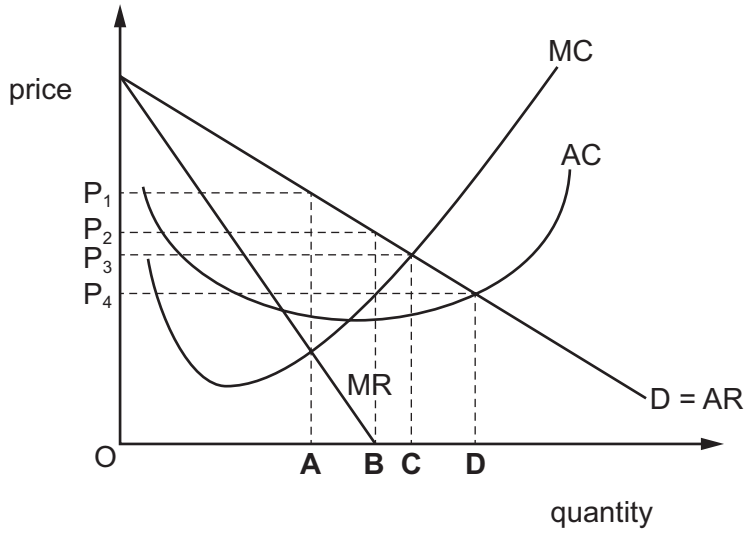
D The social benefits of vaccination are less than the social costs.

© UCLES 2024

stemup.co.uk

4 The diagram shows the cost and revenue curves for a firm.

Which output level will enable a firm to achieve its objective of maximising its revenue?



5 Oligopoly firms seek to maximise profits.

How will this affect the pricing behaviour of oligopoly firms involved in a non-collusive market?

A A price is fixed for the product that never changes throughout its life cycle.

B Firms will agree on the level of advertising costs for a new product.

C If one firm raises its price, other firms will maintain their original price to increase their market share.

D If one firm lowers its price, other firms will increase their price.

6 An economic activity definitely creates a net social benefit when the value of social benefit minus

A private benefit is zero.

B private benefit is negative.

C social cost is positive.

D social cost is negative.

7 Which assumption is essential for a market to be contestable?

A The market is supplied by a large number of firms.

B Firms are free to enter and leave the market.

C Firms cannot earn abnormal profits in the short run.

D Firms produce differentiated goods.

© UCLES 2024

stemup.co.uk

8 A firm that raises capital through a share issue has to satisfy both shareholders' expectations and management aims. The management aims to produce at a non-profit maximum output.

Which strategy would necessarily prevent this aim?

A fixing output where MC = MR in the long run

B operating price discrimination to maximise revenue

C rewarding shareholders more than returns to innovation

D separating ownership and control of the firm

9 A major UK chemical firm was bought by its rival, a Dutch chemical firm.

What definitely occurred when the Dutch firm bought the UK firm?

A a partnership

B economies of scale

C horizontal integration

D increased profits

10 Which statement is correct for a firm classed as a natural monopoly?

A It will always operate in the public sector and earn normal profits.

B It will have high barriers to entry and be the dominant producer.

C It will easily benefit from external economies of scale.

D It will have higher average costs than a monopolistically competitive firm.

11 The government can use policies to try and reduce the environmental damage caused by the amount of rubbish (garbage) created by firms and households.

Which policy to reduce rubbish is most likely to lead to government failure?

A an incentive payment for firms who reduce the levels of rubbish

B a tax on the amount of rubbish a firm or household creates

C an advertising campaign about the problems created by rubbish

D government grants to firms researching how to safely dispose of rubbish

© UCLES 2024

stemup.co.uk

12 What would supporters of a nationalised public transport service expect to be the most likely outcome from the privatisation of train and bus services?

A fewer destinations served by trains and buses

B lower fares

C more frequent services to all destinations

D more people employed in public transport services

13 What will cause a household to be caught in the poverty trap?

A A household earns less than the international poverty line of $2.15 per person per day.

B A household spends more than it earns in a month.

C A household's earnings rise at a lower rate than the rise in inflation.

D An extra dollar earnt by a household causes a greater loss in government benefit payments.

14 What will cause an outward shift in the demand for labour curve?

A a decrease in the top rate of income tax

B an increase in the demand for the final product

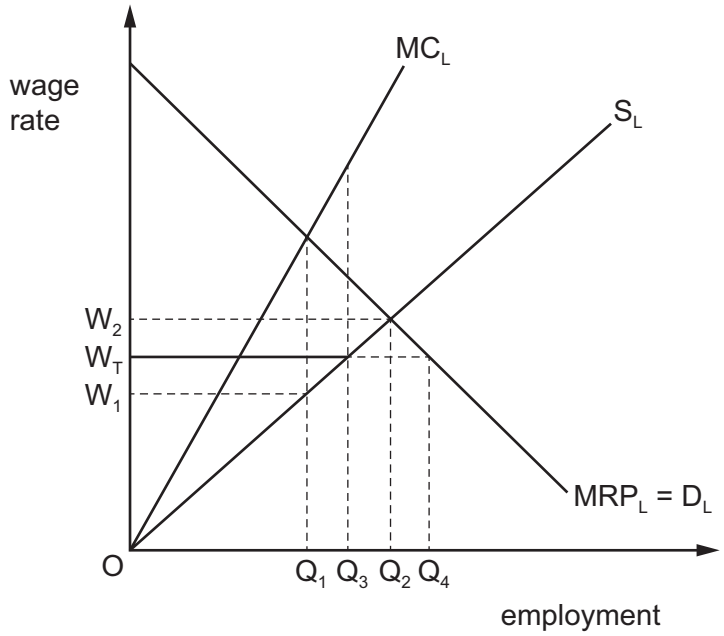
C an increase in subsidies to firms

D an increase in the size of the working population

© UCLES 2024

stemup.co.uk

15 The diagram shows what happens when the employees of a profit-maximising monopsonist employer form a trade union and successfully negotiate a wage rate of OW_T.



What is the effect of the new wage rate on employment?

A It falls from OQ_2 to OQ_1.

B It falls from OQ_2 to OQ_3.

C It rises from OQ_1 to OQ_3.

D It rises from OQ_1 to OQ_4.

16 A world financial crisis was partly linked to the actions of commercial banks.

Which actions of the commercial banks could have led to the financial crisis?

A being subject to tight controls by the central bank over credit creation

B holding reserves above the reserve ratio agreed with the central bank

C taking excessive risks by demanding insufficient security from borrowers

D widening the gap in favour of a bank's assets over liabilities

17 What is most likely to result from a decrease in the natural rate of unemployment?

A a decrease in government expenditure on goods and services

B a decrease in the level of government payments to the unemployed

C a decrease in trade union membership

D a decrease in interest rates

© UCLES 2024

stemup.co.uk

18 The table gives the percentage (%) rates of youth unemployment and total unemployment in France and the UK in 2001 and 2005.

	France		UK	
	youth unemployment (%)	total unemployment (%)	youth unemployment (%)	total unemployment (%)
2001	19.2	8.7	12.0	5.2
2005	22.1	10.1	12.5	4.8

What can be concluded from the table?

A France and the UK experienced the same trends in unemployment.

B France had a higher number of unemployed people than the UK.

C The UK used a different definition of unemployment from France.

D The UK was more successful than France in controlling unemployment.

19 What is a necessary assumption of the Keynesian multiplier model?

A increasing average propensity to save

B flexible costs and prices

C full employment of resources

D open economies

20 The table shows the relationship between inflation and unemployment in Germany from 2019 to 2022.

	2019	2020	2021	2022
inflation: annual variation (%)	–1.9	–1.6	2.7	2.6
unemployment rate (%)	6.4	6.1	5.7	5.2

Some theories argue that inflation rates are at their lowest when the rate of unemployment is low.

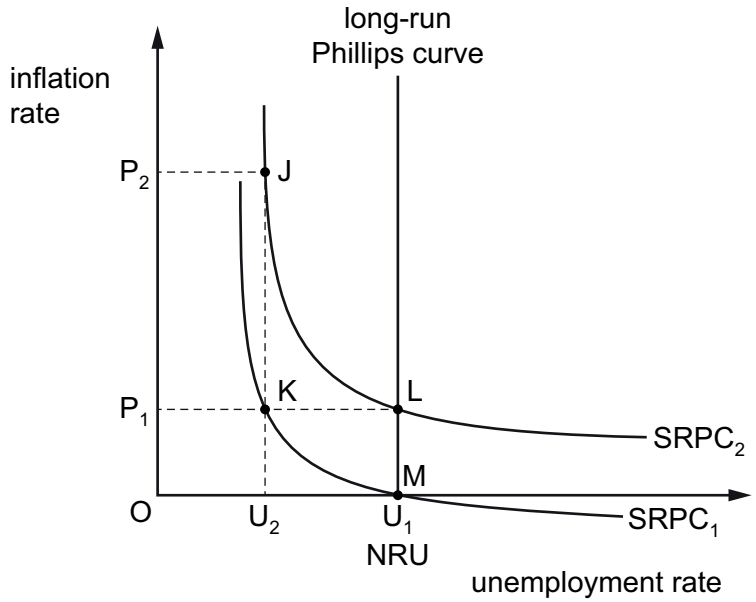
Which year contradicts this expectation to the greatest extent?

A 2019 **B** 2020 **C** 2021 **D** 2022

© UCLES 2024

stemup.co.uk

21 The diagram represents the short-run Phillips curves $SRPC_1$ and $SRPC_2$ and the long-run Phillips curve in an economy, where NRU is the natural rate of unemployment. The economy is originally in equilibrium with no inflation.



If the government introduces a fiscal stimulus to reduce unemployment, monetarists predict that there will be a series of movements before long-run equilibrium is restored.

Which set of movements illustrates this prediction?

A J to K to L **B** L to K to J **C** M to K to J **D** M to K to L

22 An economy has a sudden increase in inflation caused by a large rise in energy prices. It also enters a recession with rising unemployment.

A decrease in which policy variable is most likely to reduce the impact of the recession without increasing the price level further?

A direct taxation

B government spending

C indirect taxation

D interest rate

23 What is **not** a threat to globalisation?

A rising fear of losing jobs to immigrant workers

B rising political tensions among major economies of the world

C stronger trade unions in industries producing substitutes of imports

D withdrawal of government support for inefficient industries

© UCLES 2024

stemup.co.uk

24 Singapore has one of the highest population densities in the world. It discourages car use through a high tax on second cars.

Which additional policy would help to relieve road congestion in the short run?

A limiting the total number of car licences issued

B encouraging restrictions on the size of families

C improving infrastructure by building new roads

D replacing diesel cars by electric cars

25 What is **not** an example of an expenditure-reducing policy?

A a decrease in government spending

B a depreciation of the exchange rate

C an increase in direct taxes

D an increase in interest rates

26 What does the J-curve effect show?

A A successful currency depreciation requires the sum of the import and export elasticities of demand to be greater than 1.

B After a currency devaluation, the current account is likely to get worse before it gets better.

C In the short run, the demand for imports and exports tends to be price elastic.

D The value of the terms of trade will affect the success of a currency's devaluation.

27 What is the most likely consequence of an increase in the number of multinational companies?

A a decrease in advancements in technology

B a decrease in foreign direct investment

C an increase in exports

D an increase in unemployment

© UCLES 2024

stemup.co.uk

28 The table shows the GDP and population of four countries.

Which country is most likely to have the lowest standard of living?

	country	GDP US$ billion	population million
A	Bangladesh	206.7	153.5
B	India	2989.1	1147.9
C	Nigeria	292.7	138.3
D	South Africa	467.1	43.8

29 What will increase the size of a country's optimum population?

A a rise in the birth rate

B a lowering of the age of retirement

C a rise in the stock of capital available in the country

D a decrease in the productivity of the country's industries

30 The table shows the values of the Gini coefficient for some countries in a given year.

	Gini coefficient
Namibia	74.3
Zambia	50.4
France	32.7
Denmark	24.7

Using this information, which statement is correct?

A Income is distributed more equally in Denmark than France.

B Income is distributed more equally in Namibia than Zambia.

C Income per capita is higher in Zambia than Namibia.

D There are proportionally more people below the poverty line in Zambia than France.

© UCLES 2024

stemup.co.uk

BLANK PAGE

© UCLES 2024

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 2024

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	B	If the extra unit adds more than the current average, it pulls the average up, so average utility rises.
2	C	Utility is maximised where the budget line T just touches the highest indifference curve I2: 50 X and 25 Y.
3	A	Vaccinating some children stops the disease spreading, so third parties also benefit: an external benefit.
4	B	Total revenue is maximised where MR = 0, which is output B.
5	C	Non-collusive oligopoly (kinked demand): if one firm raises its price, rivals keep theirs and gain market share.
6	C	Net social benefit means social benefit − social cost > 0, i.e. social benefit minus social cost is positive.
7	B	Contestability requires free entry and exit (no sunk costs), so the threat of new entrants disciplines incumbents.
8	A	Producing where MC = MR is profit maximisation, so it necessarily prevents a non-profit-maximising output.
9	C	Two rival firms in the same industry at the same stage of production joining is horizontal integration.
10	B	A natural monopoly has very high fixed costs, which act as a barrier to entry, so one firm dominates supply.
11	B	A tax on rubbish may encourage illegal dumping (fly-tipping), making the damage worse: government failure.
12	A	Private firms cut loss-making routes to raise profit, so fewer destinations would be served.

Question number		
13	D	Benefits are withdrawn as earnings rise, so an extra dollar earned leaves the household worse off.
14	B	Labour is a derived demand, so higher demand for the final product raises MRP and shifts DL outward.
15	C	Without the union, employment is where MCL = MRPL (OQ1). With wage OWT, MCL is flat at WT up to SL, so employment rises to OQ3 where WT meets MRPL.
16	C	Lending with too little security from borrowers led to large bad debts and bank failures.
17	B	With fewer people unemployed in the long run, the government pays out less in unemployment benefits.
18	D	Total unemployment rose in France (8.7% to 10.1%) but fell in the UK (5.2% to 4.8%), so the UK was more successful.
19	A	With C = a + bY the APC falls and the APS rises as income rises; the model assumes spare capacity and fixed prices, so not B or C.
20	A	In 2019 inflation was lowest (−1.9%) but unemployment was highest (6.4%), the opposite of the expectation.
21	D	Stimulus moves the economy along SRPC1 from M to K (lower U, higher inflation); expectations adjust so SRPC shifts to SRPC2 and it returns to the NRU at L.
22	C	Cutting indirect taxes lowers prices directly while raising real incomes and demand, so output rises without pushing up the price level.
23	D	Withdrawing support for inefficient industries removes protection, so it encourages trade rather than threatening globalisation.
24	A	Limiting car licences cuts the number of cars on the road immediately; building roads takes years.
25	B	A depreciation is an expenditure-switching policy (it changes relative prices), not expenditure-reducing.

Question number		
26	B	After devaluation demand is price inelastic in the short run, so the current account worsens before it improves.
27	C	MNCs set up production for world markets, so more MNCs usually means more exports from host countries.
28	A	GDP per head: Bangladesh 206.7 ÷ 153.5 = $1347; India $2604; Nigeria $2116; South Africa $10 664. Bangladesh is lowest.
29	C	More capital raises output per worker, so a larger population is needed to maximise output per head.
30	A	Denmark's Gini (24.7) is lower than France's (32.7), so income is distributed more equally in Denmark.

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/32**

Paper 3 A Level Multiple Choice **May/June 2024**

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 2024

[Turn over

stemup.co.uk

1 The table shows the total utility gained by a consumer from the consumption of water.

quantity consumed / bottles	total utility
0	0
1	30
2	40
3	48
4	54
5	58

What can be concluded from this table?

A Marginal utility increases as consumption increases.

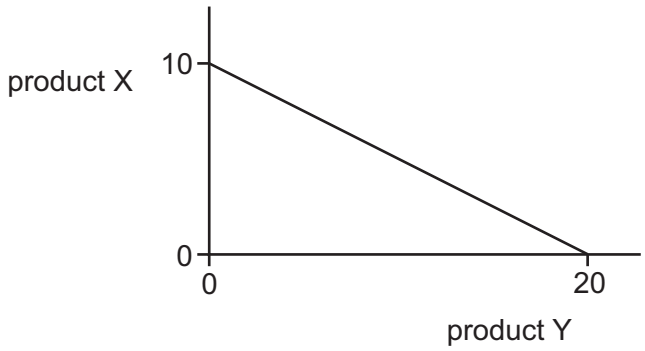
B The consumer cannot switch expenditure to another product to increase total utility.

C The marginal utility of the 3rd unit is 8.

D The marginal utility of the 5th unit is 2.

2 A consumer has $100 to spend on two products, X and Y.

The budget line shows the different possible combinations of products X and Y that can be purchased when all the consumer's income is spent.



If the price of product Y increases to $10, what will be the maximum number of units of product X and product Y that the consumer can now purchase?

	product X	product Y
A	5	10
B	5	20
C	10	10
D	20	10

© UCLES 2024

stemup.co.uk

3 Which combination of costs and benefits will lead to an increase in net social costs?

	private benefits	external benefits	private costs	external costs
A	falls	falls	no change	no change
B	no change	increases	falls	no change
C	no change	increases	falls	falls
D	increases	increases	no change	falls

4 A firm increases its output, starting from zero.

How will this affect its short-run marginal cost (MC), average total cost (ATC) and average fixed cost (AFC)?

	MC	ATC	AFC
A	fall then rise	fall then rise	fall
B	fall then rise	rise then fall	rise
C	rise then fall	fall then rise	fall
D	rise then fall	rise then fall	rise

5 Assuming the absence of price controls, in which industry is an individual firm least likely to be able to alter the price at which it sells its product?

A air transportation

B hairdressing

C steel production

D wheat farming

© UCLES 2024

stemup.co.uk

6 A firm has the choice between five levels of output. The table shows the total cost and total revenue of producing at each output level. The firm could sell whatever output it produces.

output units	total cost $	total revenue $
1000	8 000	10 000
2000	12 000	18 000
3000	19 000	24 000
4000	23 000	28 000
5000	25 000	25 000

The firm decides to produce 4000 units.

What is the firm's aim?

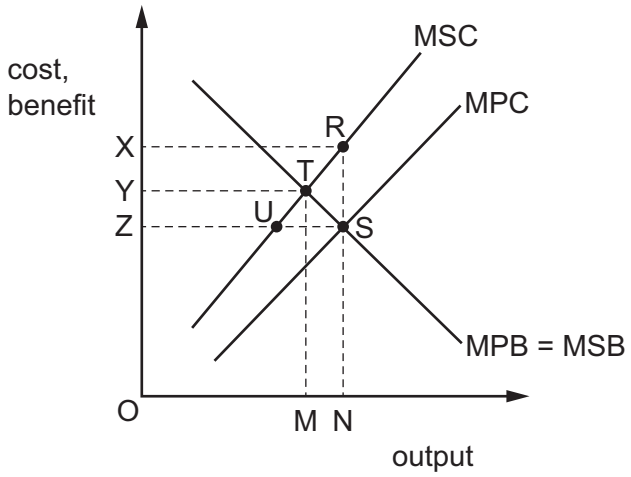
A to maximise profit

B to maximise sales

C to maximise revenue

D to minimise average costs

7 The diagram shows the costs and benefits of producing steel in a free market.



Which area measures the deadweight loss of economic welfare?

A RTS **B** RUS **C** TUS **D** YTUS

© UCLES 2024

stemup.co.uk

8 What is likely to make it more difficult for a small firm to survive?

A increased preference on the part of consumers for distinctive non-standardised products

B reductions in the rate of interest charged by commercial banks

C the absence of effective barriers to the entry of potential competitors

D the existence of decreasing returns to scale

9 A market structure in which a small number of firms face competition from potential entrants.

What does this describe?

A a contestable market

B a monopoly

C monopolistic competition

D perfect competition

10 What is an example of backward vertical integration?

A a bakery buying a wheat farm

B a car manufacturer buying a car showroom

C a vineyard buying an apple orchard

D two rival supermarkets joining together

11 A government wants to introduce a policy that will reduce the pollution caused by the production of a good.

Which policy would **not** make use of market forces?

A a quota to limit the production of the good

B a regulation to ban the production of the good

C a tax on the production of the good

D a tradable pollution permit system for producers of the good

stemup.co.uk

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

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

What can be concluded about the effect of privatisation?

A Employment fell in the railway industry.

B Employment was unchanged in the telecommunications industry.

C Output was greatest in the electricity supply industry.

D Workers became less efficient in the shipbuilding industry.

13 Most workers in a country are employed in the manufacturing sector where they are paid a fixed wage rate per hour.

What will lead to an increase in the net advantage of workers currently employed in the manufacturing sector?

A a reduction in working hours available

B a shift in the country's economy to the service sector

C a subsidised lunch is made available

D an increase in the number of jobs available

14 When will a profit-maximising firm employ the optimum number of workers?

A when the average revenue product of labour equals the average cost of hiring workers

B when the marginal revenue product of labour equals the average cost of hiring workers

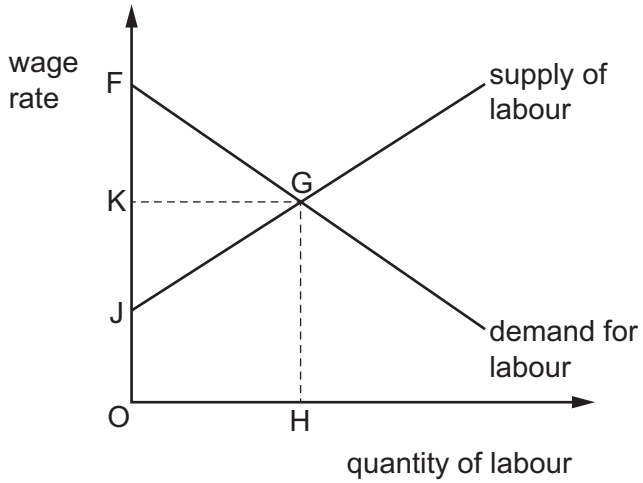
C when the marginal revenue product of labour equals the marginal cost of hiring workers

D when the marginal revenue product of labour equals the trade union supplied cost of workers

© UCLES 2024

stemup.co.uk

15 The diagram shows the labour market for farm workers in New Zealand.



Which areas represent the economic rent and transfer earnings of the farm workers?

	economic rent	transfer earnings
A	GFK	GHOJ
B	GHOJ	GJK
C	GJK	GJF
D	GJK	GHOJ

16 What is **not** a function of a commercial bank?

A to help firms raise finance

B to hold cash on deposit for firms

C to lend money to households

D to provide savings accounts

17 In 2020 in a country, the unemployment rate of the 16–64 age group seeking work was 4.0%.

The employment rate for this group in the same period was 76.6%.

What can be concluded from this?

A 19.4% of the economy is working illegally.

B 23.4% of the age group is economically inactive.

C 80.6% of the age group is economically active.

D The data is inaccurate.

© UCLES 2024

stemup.co.uk

18 Which statement relating to unemployment benefits provided by a government is **not** valid?

A They allow firms to dismiss workers as unemployment benefits provide support to unemployed workers.

B They force firms to raise wages to encourage workers to work rather than relying on unemployment benefits.

C They provide a safety net to workers which might reduce their efforts to find a suitable job.

D They increase government spending and force it to raise taxes.

19 Country X has a marginal propensity to consume (MPC) of 0.7. Its marginal propensity to save (MPS), marginal rate of taxation (MRT) and marginal propensity to import (MPM) are each 0.1.

What is likely to lead to the biggest increase in the national income multiplier?

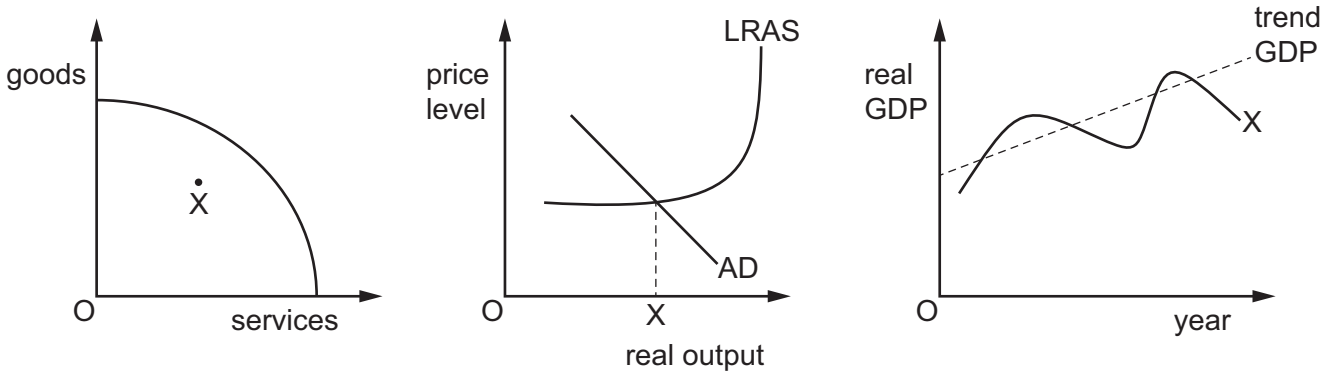
A a 5% increase in the MPC together with a 5% fall in the MRT

B a 5% increase in the MPM together with a 5% fall in the MRT

C a 5% increase in the MPS together with a 5% fall in the MPM

D a 5% increase in the MRT together with a 5% fall in the MPS

20 The diagrams show the performance of an economy using different measures.



If an economy is currently at point X on each diagram, what is the most likely conclusion that can be made based on this evidence?

A Prices will increase significantly as the economy grows in the near future.

B Supply-side policies would be the best option to encourage economic growth.

C The economy is currently experiencing a deflationary gap.

D There are shortages of skilled labour throughout the economy.

© UCLES 2024

stemup.co.uk

21 Which row correctly identifies the characteristics of an economy experiencing the liquidity trap?

	rate of economic growth	rate of inflation	rate of interest
A	high	high	low
B	low	high	low
C	low	low	low
D	low	low	high

22 Which combination of policies would be most likely to bring a country out of recession?

A expansionary fiscal and monetary policy as well as supply-side policies

B expansionary fiscal policy and tight monetary policy

C tight fiscal and monetary policy

D supply-side policies alone

23 The inflation rate in a country increased.

Which effect would this most likely have on the country's balance of payments?

A an improvement in the current account balance

B an increase in price competitiveness

C an increase in export revenue

D an increase in import expenditure

24 A government uses monetary policy and fiscal policy to solve a problem of deflation.

Which policy combination is likely to be the most successful?

	monetary policy	fiscal policy
A	increasing interest rates	contractionary
B	increasing interest rates	expansionary
C	reducing interest rates	contractionary
D	reducing interest rates	expansionary

© UCLES 2024

stemup.co.uk

25 The table shows indicators for the macroeconomies of two South American countries over one year. During this year, both governments attempted to reduce unemployment by expanding aggregate demand.

country	GDP % change	current account balance % of GDP	change in currency units against US dollar
Argentina	17.9	1.7	–18.9
Chile	17.2	–1.8	–13.3

Based on the information given, what is the most likely reason why Argentina achieved a higher % change in the unemployment rate than Chile?

A Argentina had a greater % change in GDP growth.

B Chile's performance on the current account balance was worse.

C Each country had a weak exchange rate against the US dollar.

D Wage increases in each country were linked to their respective rates of inflation.

26 A measure encourages consumers to change spending on imports to spending on domestically produced goods.

What does this describe?

A an expenditure-reducing policy

B an expenditure-switching policy

C the law of comparative advantage

D the Marshall–Lerner condition

27 The macroeconomic objective of a government is to move the current account of the balance of payments from deficit to surplus. To achieve this, it devalues the currency.

Under which condition would a devaluation of the currency achieve this objective?

A if the combined price elasticity of demand for exports and imports is greater than 1

B if the combined price elasticity of demand for exports and imports is less than 1

C if the income elasticity of demand is less than 1

D if other countries decide to impose tariffs on all imported goods and services

© UCLES 2024

stemup.co.uk

28 A multinational company (MNC) buys a manufacturing firm in a developing country that produces goods for the developing country's domestic consumers. The MNC then exports machinery and raw materials that it needs to the developing country.

What is the most likely consequence of this foreign direct investment (FDI) by the MNC on the balance of payments of the developing country?

	current account	financial account
A	improves	improves
B	improves	worsens
C	worsens	improves
D	worsens	worsens

29 The table gives information about the population of three countries in a given year.

	birth rate per 1000	death rate per 1000	infant mortality rate per 1000	% of population under 16
Singapore	12	4	5	18
Hong Kong	15	6	8	20
China	20	9	28	38

Which conclusion can be drawn about the countries in the table in that year?

A China had the highest percentage of children who died in infancy.

B People in Hong Kong lived the longest.

C Singapore had the largest number of people aged over 16.

D The population of Singapore was expected to fall in the next five years.

30 During a certain period, a country with a constant population expands its output per head. It also experiences a significant increase in river and atmospheric pollution.

In the absence of any other changes, which measure would show a decrease in living standards?

A Gross Domestic Product per head

B Gross National Product per head

C Human Development Index

D Measure of Economic Welfare

© UCLES 2024

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 2024

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	C	MU of the 3rd unit = TU(3) − TU(2) = 48 − 40 = 8.
2	C	Original prices: X = \$100 ÷ 10 = \$10, Y = \$100 ÷ 20 = \$5. With Y at \$10: max X = 100 ÷ 10 = 10, max Y = 100 ÷ 10 = 10.
3	A	Net social cost = social cost − social benefit. Benefits fall while costs are unchanged, so net social cost rises.
4	A	MC falls then rises (diminishing returns), ATC is U-shaped, and AFC falls continually as fixed cost is spread.
5	D	Wheat farming is close to perfect competition: many firms, a homogeneous product, so each firm is a price taker.
6	C	TR is highest at 4000 units (\$28 000), while profit is higher at 2000 units (\$6000 > \$5000), so the aim is revenue maximisation.
7	A	The free market produces at S (MPC = MPB) instead of T (MSC = MSB); the welfare loss is the triangle RTS between MSC and MSB.
8	C	With no barriers to entry, competitors can enter easily and take customers from a small firm.
9	A	A contestable market: few firms, but the threat of entry from potential rivals keeps them competitive.
10	A	A bakery buying a wheat farm takes over an earlier stage of its own supply chain: backward vertical integration.
11	B	A ban is a direct regulation that removes the market completely, so it does not use the price mechanism.
12	D	Output per worker fell by 1% a year after privatisation in shipbuilding, so workers became less productive.

Question number		
13	C	A subsidised lunch is a non-wage benefit, so it increases the net advantage of the job.
14	C	Profit is maximised where the MRP of labour equals the marginal cost of hiring labour (MRPL = MCL).
15	D	Equilibrium wage OK and employment OH. Transfer earnings = area under supply GHOJ; economic rent = area above supply up to the wage, GJK.
16	A	Raising finance by issuing shares is the role of investment banks and the stock market, not a commercial bank.
17	C	Employed 76.6% plus unemployed seeking work 4.0% gives 80.6% economically active.
18	B	Benefits set a floor that may push wages up, but they do not force firms to raise wages.
19	A	Higher MPC and lower MRT both reduce withdrawals (MPS + MRT + MPM), so k = 1 ÷ withdrawals rises the most.
20	C	X is inside the PPF, on the flat part of AS and below trend GDP: spare capacity, a deflationary gap.
21	C	A liquidity trap occurs with interest rates already very low, alongside low growth and low (or falling) inflation.
22	A	Expansionary fiscal and monetary policy raise AD, and supply-side policies raise capacity for lasting recovery.
23	D	Domestic goods become dearer relative to foreign goods, so residents buy more imports: import spending rises.
24	D	Deflation is caused by weak AD, so lower interest rates and expansionary fiscal policy both raise AD.
25	A	Faster GDP growth (17.9% against 17.2%) means more output and so more jobs created in Argentina.
26	B	Changing spending from imports to home goods is the definition of an expenditure-switching policy.

Question number		
27	A	Marshall–Lerner condition: PED(exports) + PED(imports) > 1 for a devaluation to improve the current account.
28	C	Imports of machinery and raw materials (and later profit outflows) worsen the current account; the FDI inflow improves the financial account.
29	A	China's infant mortality rate (28 per 1000) is the highest, so it had the highest % of children dying in infancy.
30	D	The Measure of Economic Welfare deducts the costs of pollution, so it can fall even when output per head rises.

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/33**

Paper 3 A Level Multiple Choice **May/June 2024**

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 2024

[Turn over

stemup.co.uk

1 Which statement about the concept of utility is correct?

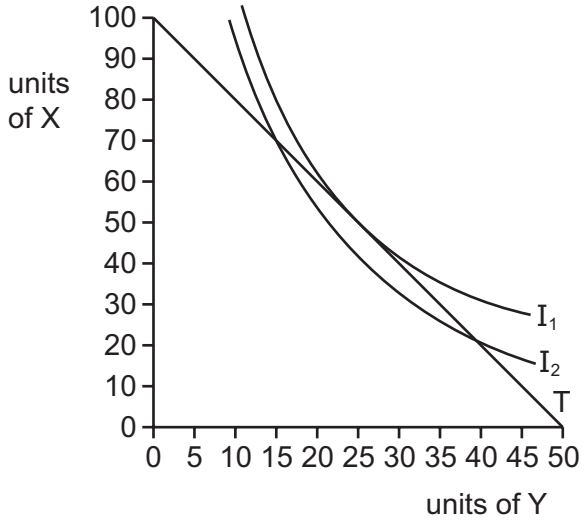
A Diminishing marginal utility means that producers become less efficient the more they produce.

B If marginal utility is above average utility, average utility must be rising.

C The equi-marginal principle says that a consumer gets equal total satisfaction from each item purchased.

D Total utility continually rises as the level of consumption rises.

2 The diagram shows indifference curves I_1, I_2 and a budget line T.



Which combination of X and Y gives the consumer maximum satisfaction?

	units of X	units of Y
A	100	0
B	70	15
C	50	25
D	20	40

3 A medical team provides vaccinations for children to prevent an outbreak of an infectious disease.

Why would this be described as a positive externality?

A Additional benefit might be gained as the disease no longer spreads.

B Any kind of medical help will improve the condition of the children.

C No action would be taken unless the medical team intervened.

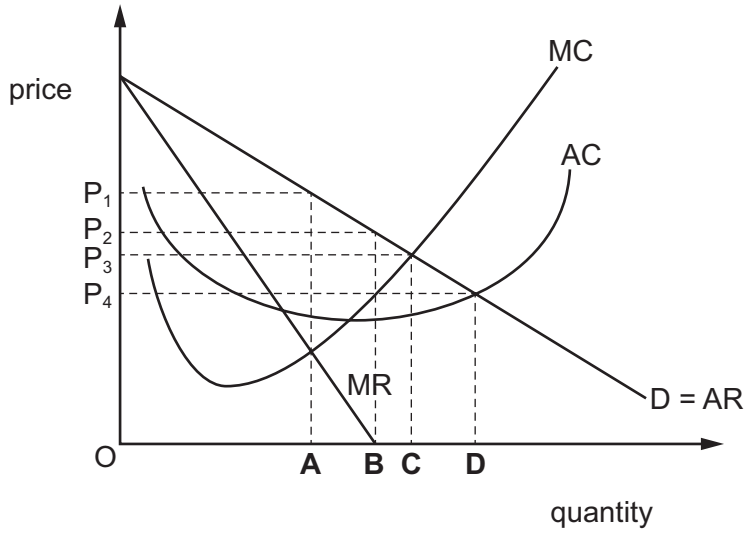
D The social benefits of vaccination are less than the social costs.

© UCLES 2024

stemup.co.uk

4 The diagram shows the cost and revenue curves for a firm.

Which output level will enable a firm to achieve its objective of maximising its revenue?



5 Oligopoly firms seek to maximise profits.

How will this affect the pricing behaviour of oligopoly firms involved in a non-collusive market?

A A price is fixed for the product that never changes throughout its life cycle.

B Firms will agree on the level of advertising costs for a new product.

C If one firm raises its price, other firms will maintain their original price to increase their market share.

D If one firm lowers its price, other firms will increase their price.

6 An economic activity definitely creates a net social benefit when the value of social benefit minus

A private benefit is zero.

B private benefit is negative.

C social cost is positive.

D social cost is negative.

7 Which assumption is essential for a market to be contestable?

A The market is supplied by a large number of firms.

B Firms are free to enter and leave the market.

C Firms cannot earn abnormal profits in the short run.

D Firms produce differentiated goods.

© UCLES 2024

stemup.co.uk

8 A firm that raises capital through a share issue has to satisfy both shareholders' expectations and management aims. The management aims to produce at a non-profit maximum output.

Which strategy would necessarily prevent this aim?

A fixing output where MC = MR in the long run

B operating price discrimination to maximise revenue

C rewarding shareholders more than returns to innovation

D separating ownership and control of the firm

9 A major UK chemical firm was bought by its rival, a Dutch chemical firm.

What definitely occurred when the Dutch firm bought the UK firm?

A a partnership

B economies of scale

C horizontal integration

D increased profits

10 Which statement is correct for a firm classed as a natural monopoly?

A It will always operate in the public sector and earn normal profits.

B It will have high barriers to entry and be the dominant producer.

C It will easily benefit from external economies of scale.

D It will have higher average costs than a monopolistically competitive firm.

11 The government can use policies to try and reduce the environmental damage caused by the amount of rubbish (garbage) created by firms and households.

Which policy to reduce rubbish is most likely to lead to government failure?

A an incentive payment for firms who reduce the levels of rubbish

B a tax on the amount of rubbish a firm or household creates

C an advertising campaign about the problems created by rubbish

D government grants to firms researching how to safely dispose of rubbish

© UCLES 2024

stemup.co.uk

12 What would supporters of a nationalised public transport service expect to be the most likely outcome from the privatisation of train and bus services?

A fewer destinations served by trains and buses

B lower fares

C more frequent services to all destinations

D more people employed in public transport services

13 What will cause a household to be caught in the poverty trap?

A A household earns less than the international poverty line of $2.15 per person per day.

B A household spends more than it earns in a month.

C A household's earnings rise at a lower rate than the rise in inflation.

D An extra dollar earnt by a household causes a greater loss in government benefit payments.

14 What will cause an outward shift in the demand for labour curve?

A a decrease in the top rate of income tax

B an increase in the demand for the final product

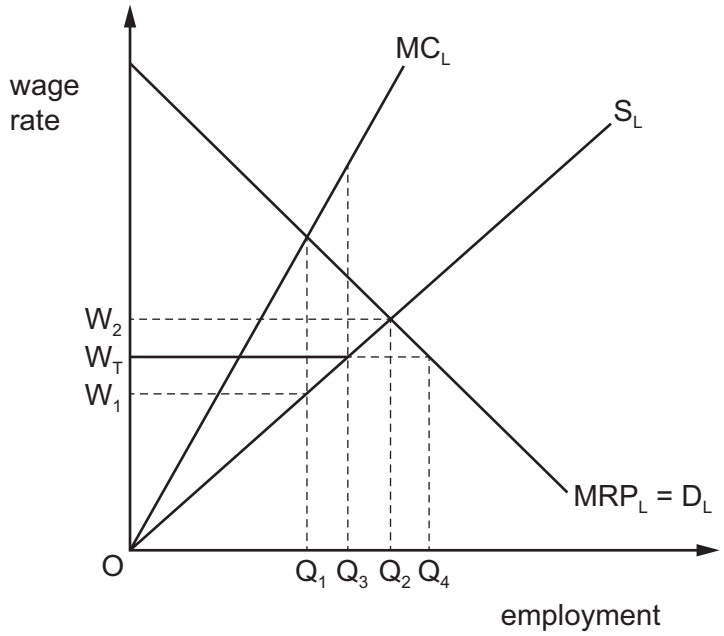
C an increase in subsidies to firms

D an increase in the size of the working population

© UCLES 2024

stemup.co.uk

15 The diagram shows what happens when the employees of a profit-maximising monopsonist employer form a trade union and successfully negotiate a wage rate of OW_T.



What is the effect of the new wage rate on employment?

A It falls from OQ_2 to OQ_1.

B It falls from OQ_2 to OQ_3.

C It rises from OQ_1 to OQ_3.

D It rises from OQ_1 to OQ_4.

16 A world financial crisis was partly linked to the actions of commercial banks.

Which actions of the commercial banks could have led to the financial crisis?

A being subject to tight controls by the central bank over credit creation

B holding reserves above the reserve ratio agreed with the central bank

C taking excessive risks by demanding insufficient security from borrowers

D widening the gap in favour of a bank's assets over liabilities

17 What is most likely to result from a decrease in the natural rate of unemployment?

A a decrease in government expenditure on goods and services

B a decrease in the level of government payments to the unemployed

C a decrease in trade union membership

D a decrease in interest rates

© UCLES 2024

stemup.co.uk

18 The table gives the percentage (%) rates of youth unemployment and total unemployment in France and the UK in 2001 and 2005.

	France		UK	
	youth unemployment (%)	total unemployment (%)	youth unemployment (%)	total unemployment (%)
2001	19.2	8.7	12.0	5.2
2005	22.1	10.1	12.5	4.8

What can be concluded from the table?

A France and the UK experienced the same trends in unemployment.

B France had a higher number of unemployed people than the UK.

C The UK used a different definition of unemployment from France.

D The UK was more successful than France in controlling unemployment.

19 What is a necessary assumption of the Keynesian multiplier model?

A increasing average propensity to save

B flexible costs and prices

C full employment of resources

D open economies

20 The table shows the relationship between inflation and unemployment in Germany from 2019 to 2022.

	2019	2020	2021	2022
inflation: annual variation (%)	–1.9	–1.6	2.7	2.6
unemployment rate (%)	6.4	6.1	5.7	5.2

Some theories argue that inflation rates are at their lowest when the rate of unemployment is low.

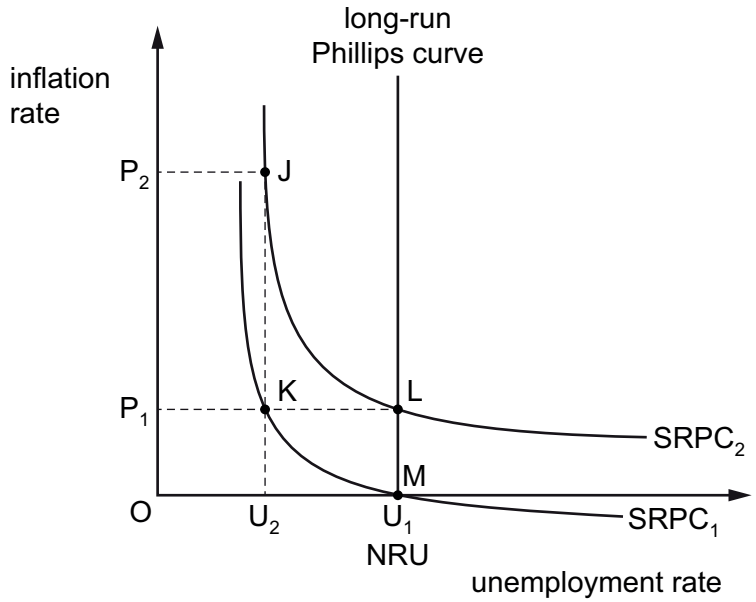
Which year contradicts this expectation to the greatest extent?

A 2019 **B** 2020 **C** 2021 **D** 2022

© UCLES 2024

stemup.co.uk

21 The diagram represents the short-run Phillips curves $SRPC_1$ and $SRPC_2$ and the long-run Phillips curve in an economy, where NRU is the natural rate of unemployment. The economy is originally in equilibrium with no inflation.



If the government introduces a fiscal stimulus to reduce unemployment, monetarists predict that there will be a series of movements before long-run equilibrium is restored.

Which set of movements illustrates this prediction?

A J to K to L **B** L to K to J **C** M to K to J **D** M to K to L

22 An economy has a sudden increase in inflation caused by a large rise in energy prices. It also enters a recession with rising unemployment.

A decrease in which policy variable is most likely to reduce the impact of the recession without increasing the price level further?

A direct taxation

B government spending

C indirect taxation

D interest rate

23 What is **not** a threat to globalisation?

A rising fear of losing jobs to immigrant workers

B rising political tensions among major economies of the world

C stronger trade unions in industries producing substitutes of imports

D withdrawal of government support for inefficient industries

© UCLES 2024

stemup.co.uk

24 Singapore has one of the highest population densities in the world. It discourages car use through a high tax on second cars.

Which additional policy would help to relieve road congestion in the short run?

A limiting the total number of car licences issued

B encouraging restrictions on the size of families

C improving infrastructure by building new roads

D replacing diesel cars by electric cars

25 What is **not** an example of an expenditure-reducing policy?

A a decrease in government spending

B a depreciation of the exchange rate

C an increase in direct taxes

D an increase in interest rates

26 What does the J-curve effect show?

A A successful currency depreciation requires the sum of the import and export elasticities of demand to be greater than 1.

B After a currency devaluation, the current account is likely to get worse before it gets better.

C In the short run, the demand for imports and exports tends to be price elastic.

D The value of the terms of trade will affect the success of a currency's devaluation.

27 What is the most likely consequence of an increase in the number of multinational companies?

A a decrease in advancements in technology

B a decrease in foreign direct investment

C an increase in exports

D an increase in unemployment

© UCLES 2024

stemup.co.uk

28 The table shows the GDP and population of four countries.

Which country is most likely to have the lowest standard of living?

	country	GDP US$ billion	population million
A	Bangladesh	206.7	153.5
B	India	2989.1	1147.9
C	Nigeria	292.7	138.3
D	South Africa	467.1	43.8

29 What will increase the size of a country's optimum population?

A a rise in the birth rate

B a lowering of the age of retirement

C a rise in the stock of capital available in the country

D a decrease in the productivity of the country's industries

30 The table shows the values of the Gini coefficient for some countries in a given year.

	Gini coefficient
Namibia	74.3
Zambia	50.4
France	32.7
Denmark	24.7

Using this information, which statement is correct?

A Income is distributed more equally in Denmark than France.

B Income is distributed more equally in Namibia than Zambia.

C Income per capita is higher in Zambia than Namibia.

D There are proportionally more people below the poverty line in Zambia than France.

© UCLES 2024

stemup.co.uk

BLANK PAGE

© UCLES 2024

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 2024

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	B	If the extra unit adds more than the current average, it pulls the average up, so average utility rises.
2	C	Utility is maximised where the budget line T just touches the highest indifference curve 12: 50 X and 25 Y.
3	A	Vaccinating some children stops the disease spreading, so third parties also benefit: an external benefit.
4	B	Total revenue is maximised where MR = 0, which is output B.
5	C	Non-collusive oligopoly (kinked demand): if one firm raises its price, rivals keep theirs and gain market share.
6	C	Net social benefit means social benefit – social cost > 0, i.e. social benefit minus social cost is positive.
7	B	Contestability requires free entry and exit (no sunk costs), so the threat of new entrants disciplines incumbents.
8	A	Producing where MC = MR is profit maximisation, so it necessarily prevents a non-profit-maximising output.
9	C	Two rival firms in the same industry at the same stage of production joining is horizontal integration.
10	B	A natural monopoly has very high fixed costs, which act as a barrier to entry, so one firm dominates supply.
11	B	A tax on rubbish may encourage illegal dumping (fly-tipping), making the damage worse: government failure.
12	A	Private firms cut loss-making routes to raise profit, so fewer destinations would be served.

Question number		
13	D	Benefits are withdrawn as earnings rise, so an extra dollar earned leaves the household worse off.
14	B	Labour is a derived demand, so higher demand for the final product raises MRP and shifts DL outward.
15	C	Without the union, employment is where MCL = MRPL (OQ1). With wage OWT, MCL is flat at WT up to SL, so employment rises to OQ3 where WT meets MRPL.
16	C	Lending with too little security from borrowers led to large bad debts and bank failures.
17	B	With fewer people unemployed in the long run, the government pays out less in unemployment benefits.
18	D	Total unemployment rose in France (8.7% to 10.1%) but fell in the UK (5.2% to 4.8%), so the UK was more successful.
19	A	With C = a + bY the APC falls and the APS rises as income rises; the model assumes spare capacity and fixed prices, so not B or C.
20	A	In 2019 inflation was lowest (−1.9%) but unemployment was highest (6.4%), the opposite of the expectation.
21	D	Stimulus moves the economy along SRPC1 from M to K (lower U, higher inflation); expectations adjust so SRPC shifts to SRPC2 and it returns to the NRU at L.
22	C	Cutting indirect taxes lowers prices directly while raising real incomes and demand, so output rises without pushing up the price level.
23	D	Withdrawing support for inefficient industries removes protection, so it encourages trade rather than threatening globalisation.
24	A	Limiting car licences cuts the number of cars on the road immediately; building roads takes years.
25	B	A depreciation is an expenditure-switching policy (it changes relative prices), not expenditure-reducing.

Question number		
26	B	After devaluation demand is price inelastic in the short run, so the current account worsens before it improves.
27	C	MNCs set up production for world markets, so more MNCs usually means more exports from host countries.
28	A	GDP per head: Bangladesh 206.7 ÷ 153.5 = $1347; India $2604; Nigeria $2116; South Africa $10 664. Bangladesh is lowest.
29	C	More capital raises output per worker, so a larger population is needed to maximise output per head.
30	A	Denmark's Gini (24.7) is lower than France's (32.7), so income is distributed more equally in Denmark.