Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/31**

Paper 3 Multiple Choice **October/November 2019**

1 hour 15 minutes

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

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Write your name, centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
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1 Which situation would indicate the presence of an externality?

A Producers' actions cause a shortage of a particular good.

B Private motorists contribute to traffic congestion in city centres.

C Differences in ability cause inequality in the distribution of income in an economy.

D Increased demand for a good by the rich raises its price for poorer consumers.

2 Building a hospital has a social cost of $200 million. The social benefit is $240 million; external benefit is $150 million.

What can be concluded from this information?

A external benefit is greater than external cost

B external benefit is greater than private benefit

C private benefit is greater than private cost

D the project should not take place

3 A firm produces good X and good Y when the marginal product of both labour and capital is diminishing.

The table shows the marginal products at a given output.

	marginal product of labour (units)	marginal product of capital (units)
good X	4	6
good Y	8	4

The firm should use ……1…… labour and …… 2…… capital in the production of X and ……3…… labour and ……4…… capital in the production of Y.

Which words complete the gaps 1, 2, 3 and 4 if the firm wished to increase productive efficiency?

	1	2	3	4
A	less	more	more	less
B	less	more	more	more
C	more	less	less	more
D	more	less	less	less

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4 What is equal at all points along an indifference curve for an individual consumer?

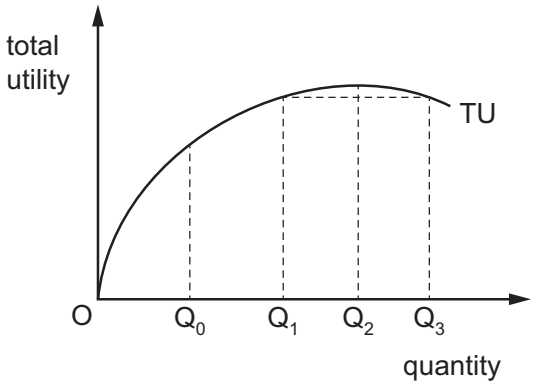
A marginal expenditure

B marginal utility

C total expenditure

D total utility

5 The diagram shows the total utility of a good for an individual consumer. Marginal utility gives a guide to the price a consumer is willing to pay.



What can be concluded about the price a consumer is willing to pay per unit?

A The price a consumer is willing to pay will be higher at Q_0 than Q_1.

B The price a consumer is willing to pay will be higher at Q_3 than Q_0.

C The price a consumer is willing to pay will be highest at Q_2.

D The price a consumer is willing to pay will be the same at Q_1 and Q_3.

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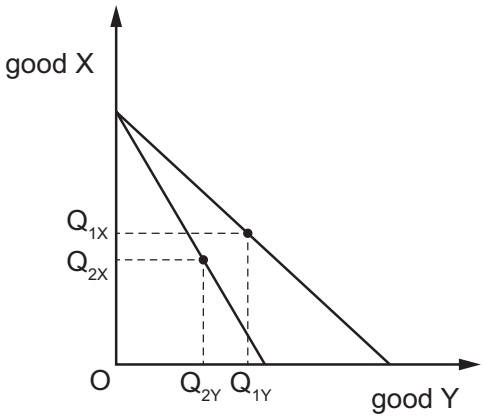
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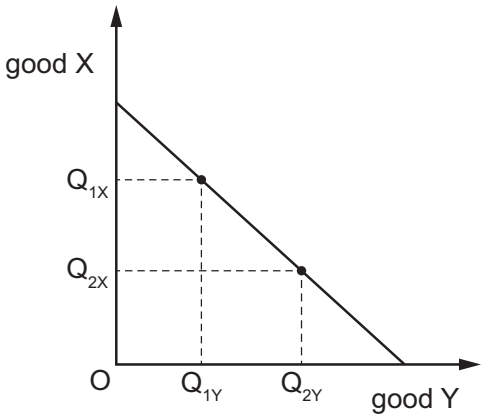
6 The diagrams show different budget lines and consumer equilibrium choices. The consumer is in equilibrium at $Q_{1X}Q_{1Y}$.

Which diagram shows the effect of a successful advertising campaign of good Y?

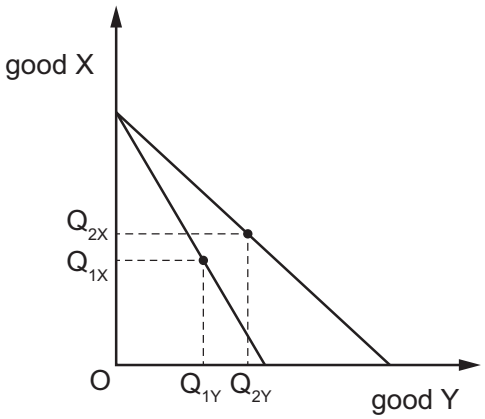
A



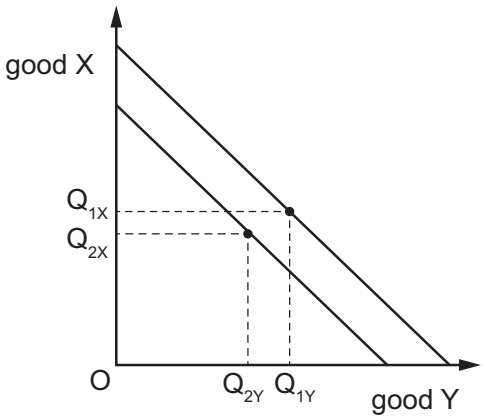
B



C



D



7 What is a characteristic of a highly contestable industry?

A a reduction in abnormal profits

B a substantial volume of advertising by existing firms

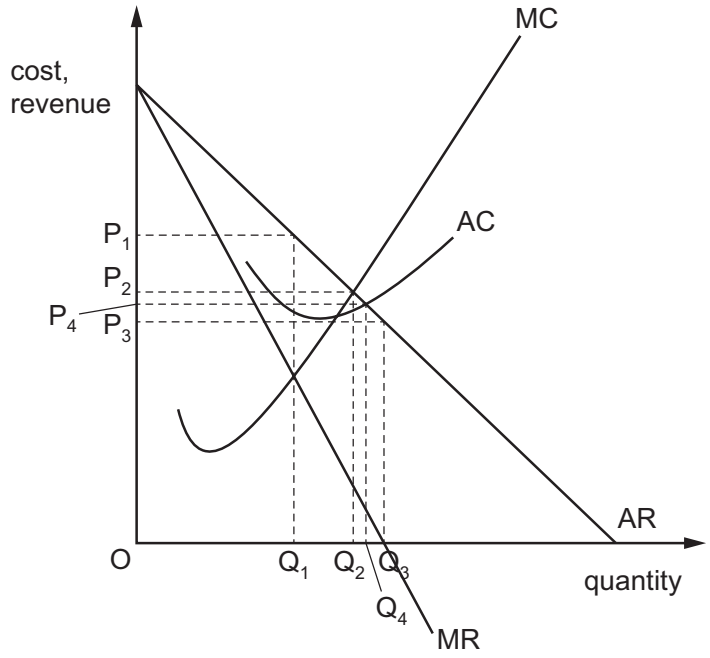
C relatively few firms in the industry

D significant sunk costs incurred by new entrants to the industry

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8 The diagram shows cost and revenue curves for a firm.



The firm may seek to either maximise profit or maximise revenue.

What is the correct price and quantity combination for each?

	maximise profit	maximise revenue
A	Q_1P_1	Q_3P_3
B	Q_1P_1	P_4Q_4
C	Q_2P_2	Q_3P_3
D	Q_2P_2	Q_4P_4

9 The list provides characteristics of the market in which firm X operates.

- Firms in the market spend a lot of money on advertising.
- Firms in the market experience a high level of uncertainty.
- Start-up costs for new firms entering the market are relatively high.
- The largest five firms in the market control 85% of total sales.

In which market structure is firm X operating?

A monopoly

B monopolistic competition

C oligopoly

D perfect competition

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10 Which statement about the 'kinked demand curve' model of oligopoly is **incorrect**?

A The kink in the demand curve of each firm is based on expectations about other firms' responses to changes in its price.

B The marginal revenue curve of the firm has a vertical segment at the market price.

C The model explains how the equilibrium market price is determined.

D The model suggests price stickiness within a certain range of marginal costs.

11 As firm X grows in size, it specialises in a narrower range of products.

Which economies of scale will the firm be **less** able to benefit from?

A financial

B marketing

C risk-bearing

D technical

12 What would economists agree should be the aim of any healthcare system?

A to meet all the healthcare demands of the population

B to provide every patient with the latest and best available treatment

C to provide free medical treatment

D to secure the maximum health gain from the resources available

13 A producer of a good causes pollution.

When will a specific tax on the production of the good be most effective in reducing output?

A when there is price elastic demand and price elastic supply

B when there is price elastic demand and price inelastic supply

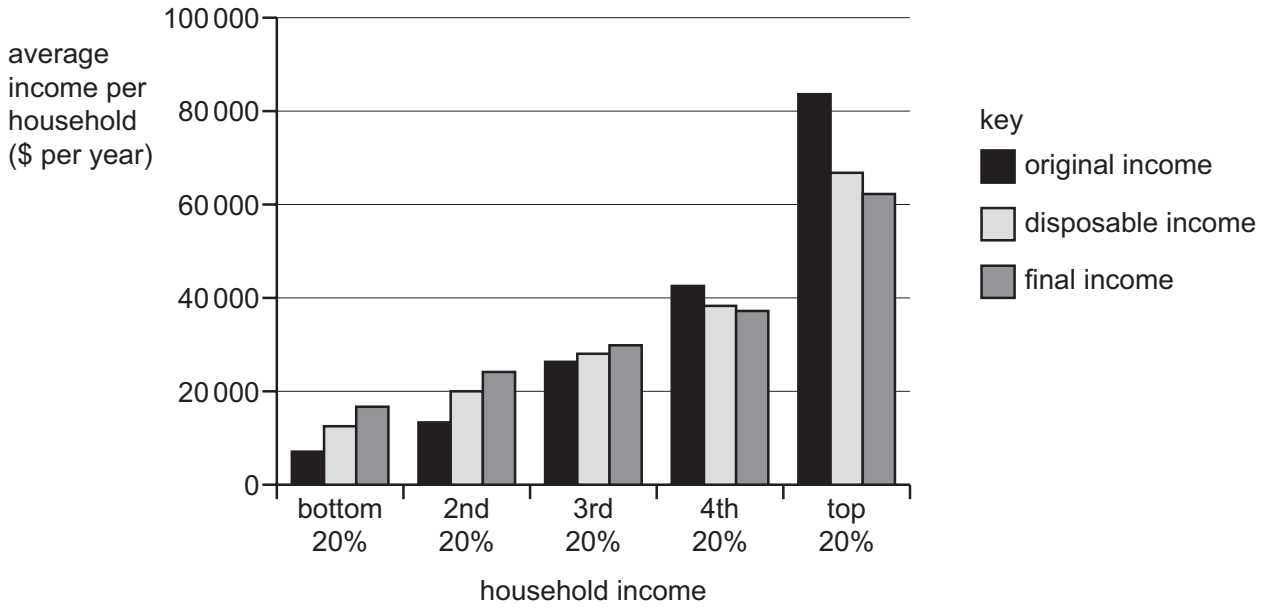
C when there is price inelastic demand and price elastic supply

D when there is price inelastic demand and price inelastic supply

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14 Governments often aim to reduce income inequalities. The diagram shows the effects of using taxation and benefits to try to achieve this aim.



What can be concluded about the effects of taxes and benefits from the diagram?

A All income groups are better off except those earning more than 40 000 dollars per year.

B Benefits paid to the lower income groups are not a burden because they are not paid out of tax revenues.

C The average final income of the top 20% exceeds the combined final incomes of the other groups.

D The progressive taxation system still favours the top 20% over the bottom 20% of households.

15 Which government policy would **not** be classified as regulation?

A bans on heroin and cocaine consumption

B compulsory wearing of seatbelts in cars and coaches

C licences for the extraction of water from lakes and rivers

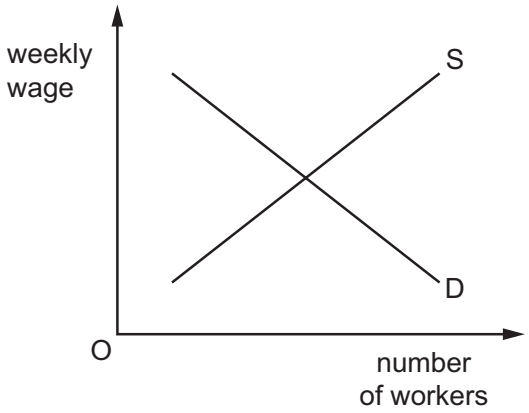
D taxation of cigarettes and tobacco products

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16 The diagram shows the initial position of a labour market.

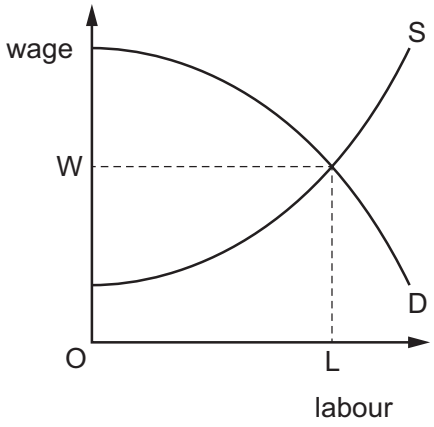


The government increases the number of statutory paid holidays to which workers are entitled from 10 days a year to 15 days a year.

How will this affect the supply and demand curves in the diagram?

	employers' demand curve	workers' supply curve
A	shifts to left	shifts to right
B	shifts to left	shifts to left
C	shifts to right	shifts to right
D	shifts to right	shifts to left

17 The diagram represents the demand and supply of labour in a competitive industry.



What is true about unit of labour L when they are paid wage W?

A L is paid only economic rent.

B L is paid an element of economic rent and transfer earnings.

C L is paid below transfer earnings and leaves the industry.

D L is paid exactly transfer earnings and remains in work.

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18 Which combination of characteristics is usually associated with a developing country?

A high death rate and low levels of productivity

B high gross domestic product and low infant mortality

C low birth rate and a large proportion of income from primary industries

D low exports of capital and a large tertiary sector

19 What is the best description of sustainable economic development?

A a long term increase in the actual output of an economy

B a long term increase in the living standards without damage to the environment

C a long term increase in the productive potential of an economy

D a long term increase in the living standards of every member of society

20 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.

21 Which change in the labour market could cause inflation if the government adopted an expansionary fiscal policy?

A a decrease in the economy's national minimum wage

B a decrease in the power of the economy's trade unions

C an increase in the level of benefits paid to unemployed workers

D an increase in the migration of workers into the country from overseas

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22 Which assumption is **not** made in the Keynesian model of national income and employment determination?

A An increase in aggregate demand can increase real national income.

B Interest rates move to equalise planned savings and investment.

C Investment depends on the expectation of entrepreneurs.

D Planned consumption is a function of national income.

23 An economist once said "if you pay people not to work and tax them when they do, don't be surprised if you get unemployment".

What is this an example of?

A cyclical unemployment

B frictional unemployment

C structural unemployment

D voluntary unemployment

24 The table provides data for the external debt as a percentage of Gross National Income (GNI) for four countries in 2010 and 2015.

	external debt as % of GNI	
	2010	2015
Bulgaria	104.2	79.9
Georgia	85.6	109.4
India	17.2	23.4
Serbia	85.4	88.8

What can be deduced from the table?

A All countries borrowed more money externally in 2015 than in 2010.

B External borrowing grew more slowly than GNI in India.

C Georgia borrowed the most money externally in 2015.

D The burden of external debt changed least in Serbia.

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25 The following statistics are for Pakistan and refer to 2016.

	%
GDP growth	5.7
population growth	2.0
rate of inflation	3.8

What was the approximate rate of growth of real GDP per capita for Pakistan in 2016?

A 0% **B** 2% **C** 4% **D** 6%

26 In a 4-sector economy, consisting of households, firms, government and foreign trade, the level of national income is in equilibrium where

$$C + I + G + (X – M) = Y.$$

What must Y include for an equilibrium to exist?

A C + S + M **B** C + S + T **C** S + T **D** S + T + M

27 According to Keynesian theory, what will cause the rate of interest to rise?

A a decrease in liquidity preference

B a decrease in the level of national income

C a decrease in the rate of investment

D a decrease in the supply of money

28 A government finances its public sector borrowing by selling securities to the non-bank private sector.

What will follow?

A The budget deficit will fall.

B The deficit on the current account will increase.

C The money supply will rise.

D The national debt will increase.

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29 When would a central bank be able to exert the closest control over the money supply of the country?

A If it intervened in the foreign exchange market to influence the value of domestic currency.

B If it only issued domestic currency at a fixed price in exchange for US$.

C If the country was part of a monetary union with other countries.

D If the domestic currency was allowed to float freely in the foreign exchange market.

30 A fall in domestic investment leads to an increase in unemployment.

Which other problem might also be observed at the same time?

A an increase in interest rates on loans for house purchase

B an increase in the current account balance of payments deficit

C an increase in the government budget deficit

D an increase in the rate of price inflation

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1 Some multinational oil companies extracting oil in developing countries are now required to repair the damage they do to the environment.

Which best describes the total costs incurred by the oil companies in such circumstances?

A external costs

B private costs plus external costs

C social costs plus external costs

D social costs plus private costs

2 In an economy, no one can be made better off without making someone else worse off.

What does **not** necessarily follow from this?

A The conditions for allocative efficiency have been met.

B The conditions for productive efficiency have been met.

C The distribution of income is socially acceptable.

D The economy is operating at a point on its production possibility curve.

3 A government decided to approve a road building scheme because it was socially beneficial. In making its decision it calculated private costs at $800m, private benefits at $800m and external costs at $150m.

What **must** have been true about the external benefits of the scheme?

A External benefits equalled private benefits.

B External benefits exceeded external costs.

C External benefits exceeded $200m.

D There were no external benefits.

4 What is it called when a consumer's marginal utility is greater than the price paid for the good?

A a Giffen good

B an inferior good

C consumer surplus

D producer surplus

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5 A consumer has $3 to spend each day on chocolate bars or toffee bars, which all cost $1 each.

The table below shows the units of additional satisfaction she gets from consuming each bar.

1st chocolate bar 16	2nd chocolate bar 13	3rd chocolate bar 10
1st toffee bar 14	2nd toffee bar 12	3rd toffee bar 9

What should she buy to maximise her total utility?

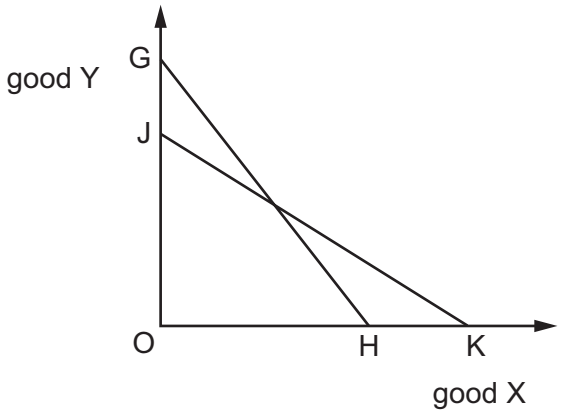
A 1 chocolate bar and 2 toffee bars

B 2 chocolate bars and 1 toffee bar

C 3 chocolate bars

D 3 toffee bars

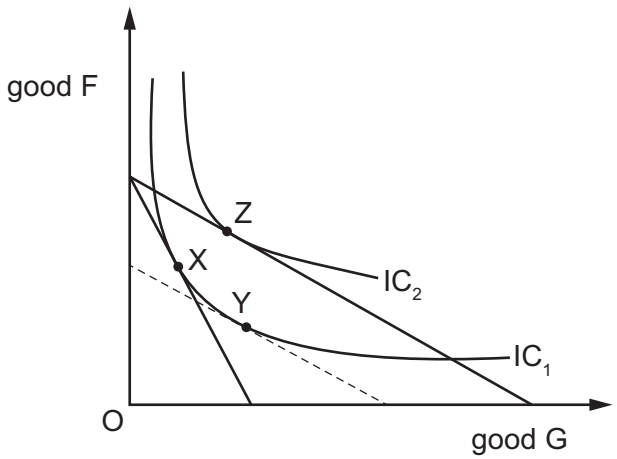
6 The curve JK in the diagram is a consumer's initial budget line.



Which combination could cause the budget line to shift to GH?

	price of good X	consumer's money income
A	increase	increase
B	decrease	decrease
C	increase	decrease
D	decrease	increase

7 The diagram shows a consumer's indifference curves (IC) for goods F and G together with the consumer's budget lines.



What could explain the movement from X to Z on the diagram?

A a fall in the price of G when G is an inferior good

B a fall in the price of G when F is a Giffen good

C a fall in the price of G when G is a normal good

D a fall in the price of G when G is a Giffen good

8 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

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

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

B perfect competition, because they offer identical products and services

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

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

10 What is a condition for operating a successful cartel?

A a large number of firms in the industry

B each firm has a differentiated product

C low barriers of entry to the industry

D strictly enforced production quotas

11 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.

12 What is generally associated with the principal-agent problem?

A Directors prefer company growth to greater shareholder dividends.

B Managers ignore workers' concerns about safety in the workplace.

C Shareholders determine the price of products.

D Workers go on strike against managers' reorganisation plans.

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13 The table shows the output of chairs at a factory when different numbers of workers are employed.

number of workers	0	1	2	3	4	5
number of chairs produced	0	7	17	26	34	40

When will diminishing marginal returns to labour set in?

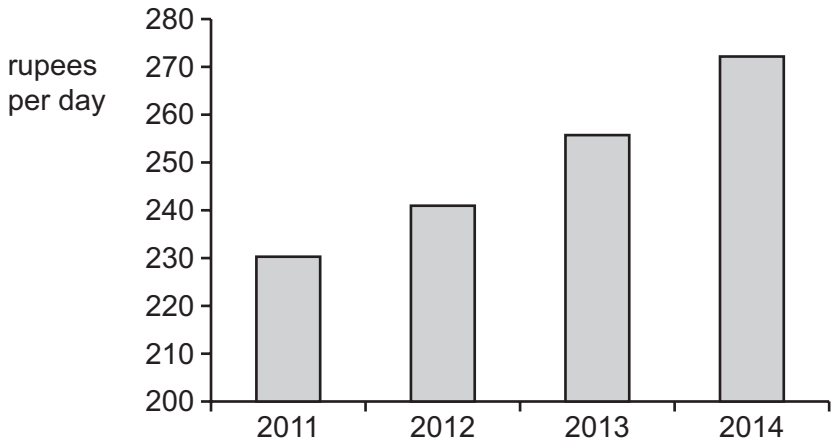
A When the second worker is employed.

B When the third worker is employed.

C When the fourth worker is employed.

D When the fifth worker is employed.

14 The chart gives information about the average daily wage rate for all industries in India.



What could have caused this trend in wage rates?

A an increase in capital-intensive production

B an increase in the number of industrial workers

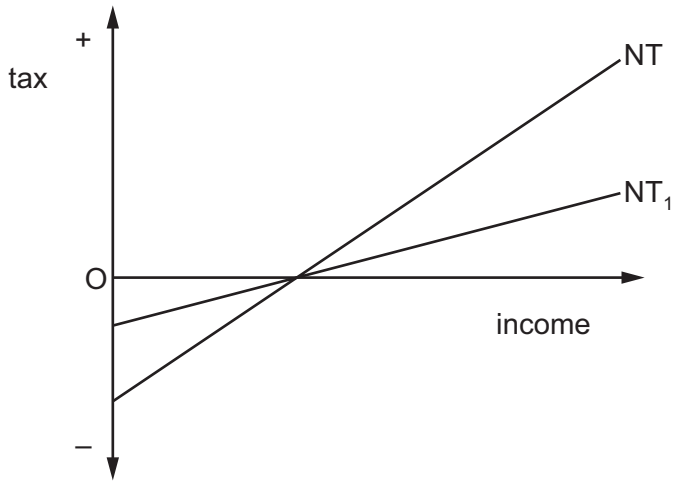
C an increase in the number of people unemployed

D an increase in the productivity of labour

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15 A country has a negative income tax regime.

The curve NT in the diagram shows the country's initial tax schedule.



A change in the tax rate causes the schedule to shift to NT_1.

How will this affect work incentives and the after-tax distribution of income?

	work incentives	distribution of income
A	strengthen	less equal
B	strengthen	more equal
C	weaken	less equal
D	weaken	more equal

16 There is a fixed supply of skilled workers in an industry. Firms can no longer find enough workers to meet their demand for labour.

What could be a solution to the problem?

A Allow wage rates to fall as the market demands.

B Introduce work-sharing and reduce working hours.

C Make offices more attractive by adding air-conditioning.

D Provide more training courses for new recruits.

17 A government is worried about the increasing monopsony power of employers in the wage bargaining process.

Which policy combination is **most** likely to improve the wages and employment prospects of workers?

	trade union powers	immigration controls	national minimum wage
A	strengthen	relax	cut
B	strengthen	strengthen	raise
C	weaken	relax	cut
D	weaken	strengthen	raise

18 What is **not** a source of market failure?

A imperfect information

B income inequality

C monopoly

D non-excludability

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

What could be a government failure arising from these subsidies?

A cheaper fresh fruit and vegetables

B land clearance reducing wildlife

C lower spending on treating dietary illnesses

D more jobs picking fruit and vegetables

20 Which type of unemployment is associated with a deficiency in aggregate demand?

A cyclical

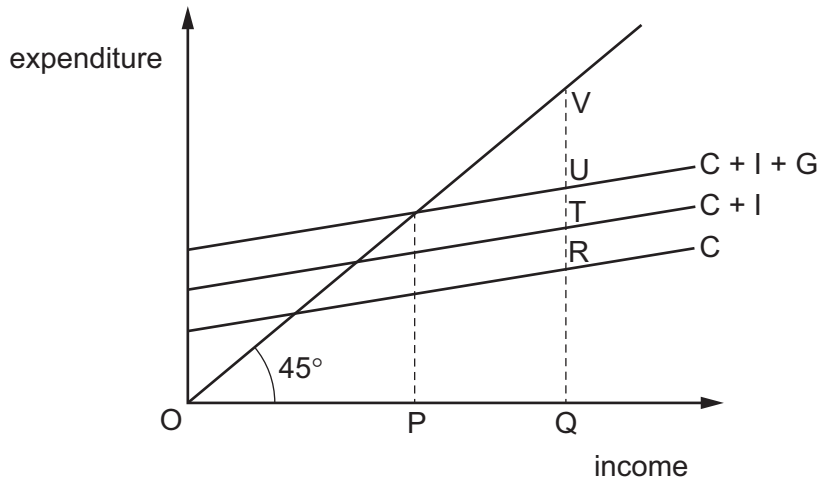
B frictional

C structural

D voluntary

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



What is the deflationary gap?

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

22 What represents an injection into a country's circular flow of income?

A corporate taxes

B interest payments on government bonds

C the payment of dividends to foreign shareholders

D the repayment of bank loans

23 What will be the **most** likely consequence of an increase in the dependency ratio?

A a decrease in GDP per head

B a decrease in labour productivity

C an increase in the labour force

D an increase in unemployment

24 Which statement is correct?

A Economic development is necessary for economic growth.

B Economic growth and economic development are directly proportional.

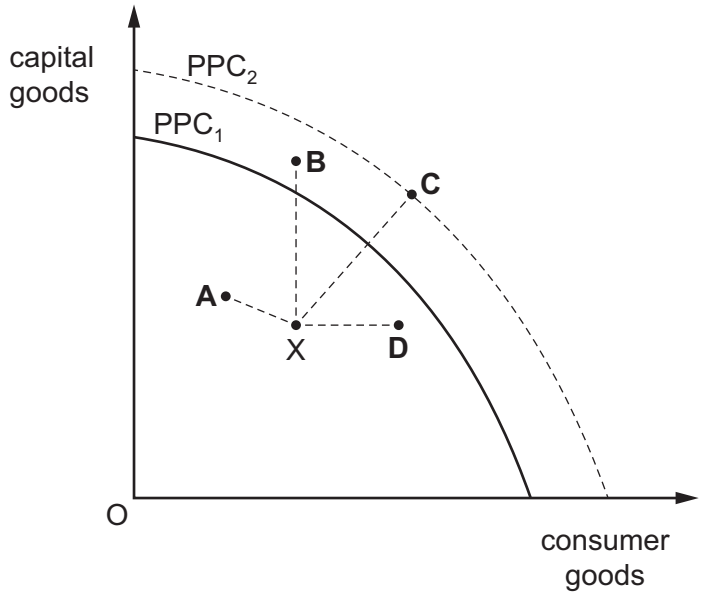
C Economic growth enables economic development.

D Economic growth is always sustainable.

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25 The diagram shows a production possibility curve PPC_1. The economy is initially at point X.

If the economy achieves actual economic growth but not potential growth, what would the final position be?



26 It has been estimated by the United Nations that the total external debt of developing countries has been increasing by about $425 billion each year.

What is **least** likely to have contributed to this?

A disincentives for foreign direct investment through political instability

B increased government subsidies for the development of tourism industries

C withdrawal of multinational companies due to delays in the award of government contracts

D worsening of the terms of trade with partners in developed economies

27 The following are four conditions sometimes attached to IMF loans to developing countries.

Which condition would conflict with the 'infant industry' argument?

A the need to allow free trade

B the need to control inflation

C the need to have a contractionary fiscal policy

D the need to privatise government enterprises

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28 In which exchange rate regime would the central bank of a country be best able to pursue an independent monetary policy to control the rate of inflation?

A a freely floating exchange rate system

B a system where the country's currency has a targeted value in relation to the US$

C a system where the central bank buys and sells foreign currency at a fixed rate

D where the country participates in a monetary union with other countries

29 What is measured on the vertical axis of the Phillips curve?

A the rate of change of real wages

B the rate of change of take-home pay

C the rate of inflation

D the rate of interest

30 Workers in poor countries are often less productive than workers using the same technology in rich countries.

What would be **most** likely to remedy this situation?

A an increase in the saving ratio in poor countries

B increased freedom of migration from poor countries to rich countries

C increased investment in education in poor countries

D the removal of trade barriers imposed by rich countries on imports from poor countries

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Cambridge Assessment International Education
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ECONOMICS **9708/33**

Paper 3 Multiple Choice **October/November 2019**

1 hour 15 minutes

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

5562807559

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, glue or correction fluid.
Write your name, centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO **NOT** WRITE IN ANY BARCODES.

There are **thirty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A**, **B**, **C** and **D**.
Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

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1 What is **not** an example of an externality?

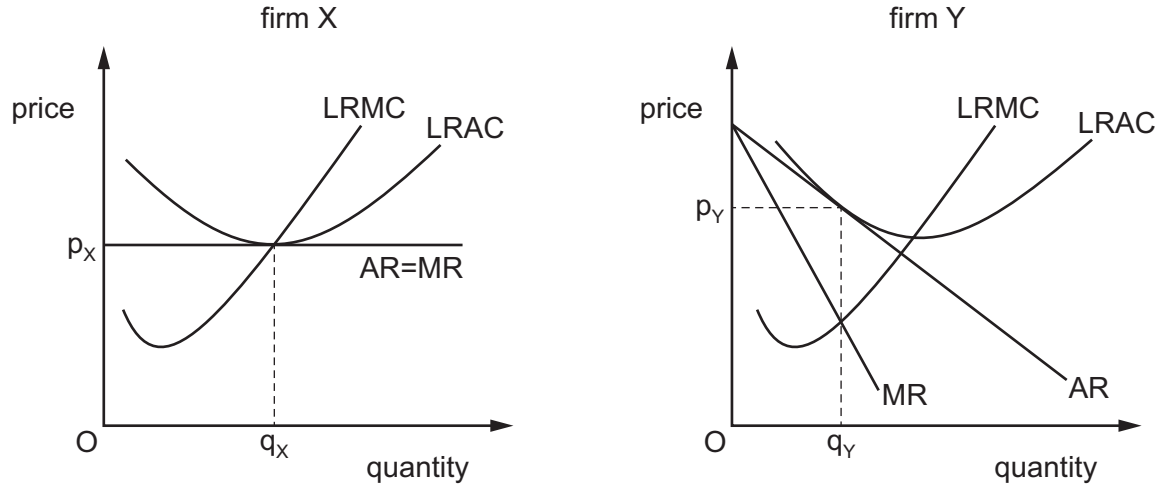
A A new firm is established in an area and pays its workers higher wage rates than other firms.

B The flowers planted by a householder in his garden give pleasure to his neighbours.

C The immunisation of children against smallpox reduces the danger of the risk of infection to others.

D The installation of security cameras in a city centre results in an increase in thefts elsewhere.

2 The diagram shows the long-run equilibrium positions for two firms, X and Y.



What can be deduced about the economic efficiency of the two firms?

	firm X		firm Y	
	allocative efficiency	productive efficiency	allocative efficiency	productive efficiency
A	no	yes	yes	yes
B	yes	no	yes	yes
C	yes	yes	no	yes
D	yes	yes	yes	no

3 The production of a good creates a constant marginal external cost at all levels of output.

What value of price elasticity of demand for the good will cause the greatest deadweight welfare loss from the externality?

A between zero and one

B equal to one

C greater than one

D zero

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4 What arises in situations where there are costs or benefits associated with a transaction that are **not** fully reflected in market prices?

A allocative efficiency

B allocative inefficiency

C productive efficiency

D productive inefficiency

5 To maximise the satisfaction she derives from a given level of expenditure on two goods, X and Y, how should a consumer allocate her expenditure between the two goods?

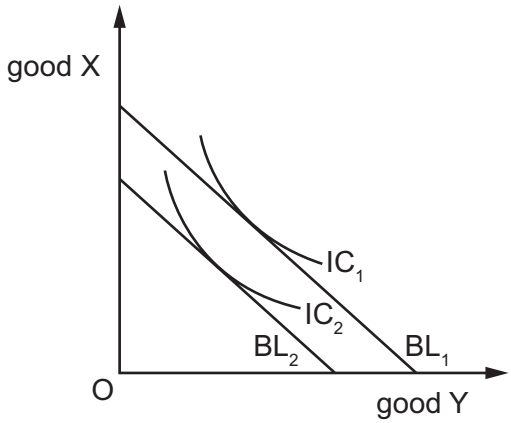
A marginal utility X = marginal utility Y

B marginal utility X $\times$ price of X = marginal utility Y

C $\frac{\text{marginal utility X}}{\text{price of Y}} = \frac{\text{marginal utility Y}}{\text{price of X}}$

D $\frac{\text{marginal utility X}}{\text{marginal utility Y}} = \frac{\text{price of X}}{\text{price of Y}}$

6 The diagram shows the indifference curves (IC) for a consumer for goods X and Y together with the consumer's budget lines (BL).



If the budget line shifts from BL_1 to BL_2, how does this affect the consumer's preferences for goods X and Y when prices remain the same?

A He continues to buy the same amounts of X and Y.

B He prefers to buy fewer of X and fewer of Y.

C He prefers to buy fewer of X and more of Y.

D He prefers to buy more of X and fewer of Y.

7 The price of brand X is $2 and the price of brand Y is $1. The consumer has $20 income to spend on these brands.

Which combinations of the two brands would be points on the same budget line for this consumer?

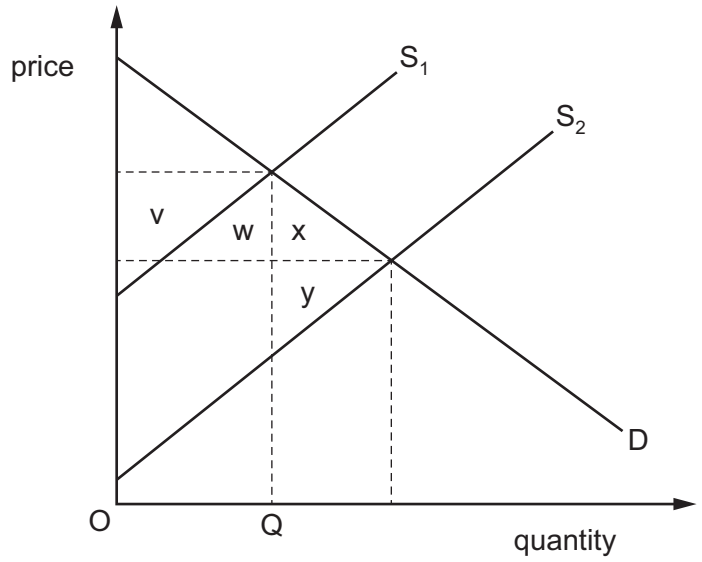
	0 units of X and 20 units of Y	5 units of X and 10 units of Y	10 units of X and 0 units of Y
A	✓	✓	✓
B	✓	✗	✗
C	✓	✗	✓
D	✓	✓	✗

key

✓ = on the same budget line

✗ = not on the same budget line

8 The diagram shows an industry's demand and supply curves. The industry increases supply from S_1 to S_2.

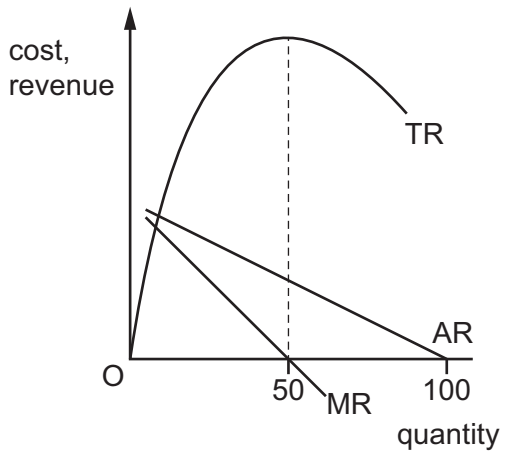


Which area shows the total gain in society's economic welfare?

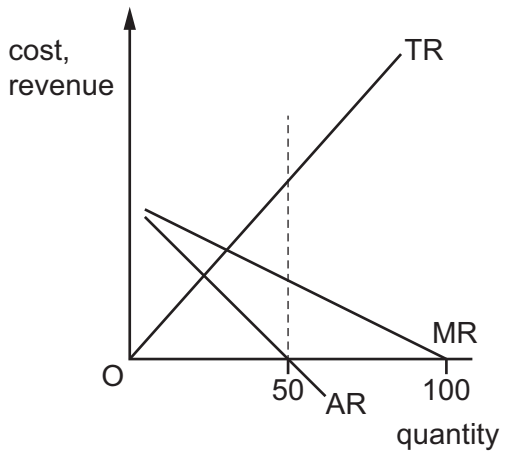
A v + w + x **B** w + x **C** x + y **D** (x + y) – (v + w)

9 Which diagram accurately represents the revenue curves of a producer in imperfect competition?

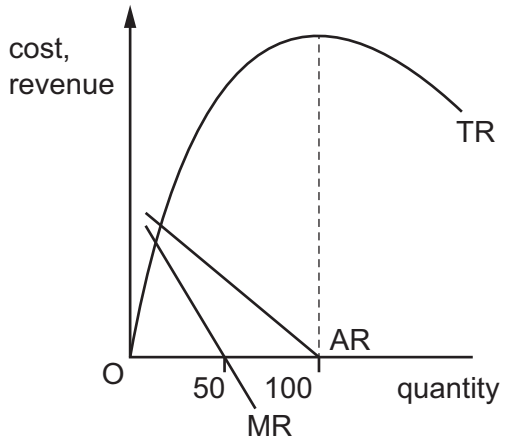
A



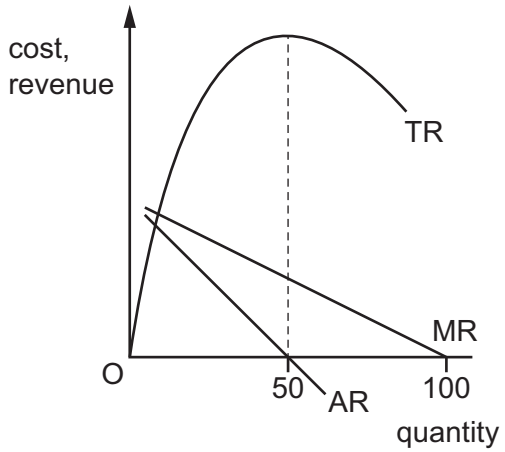
B



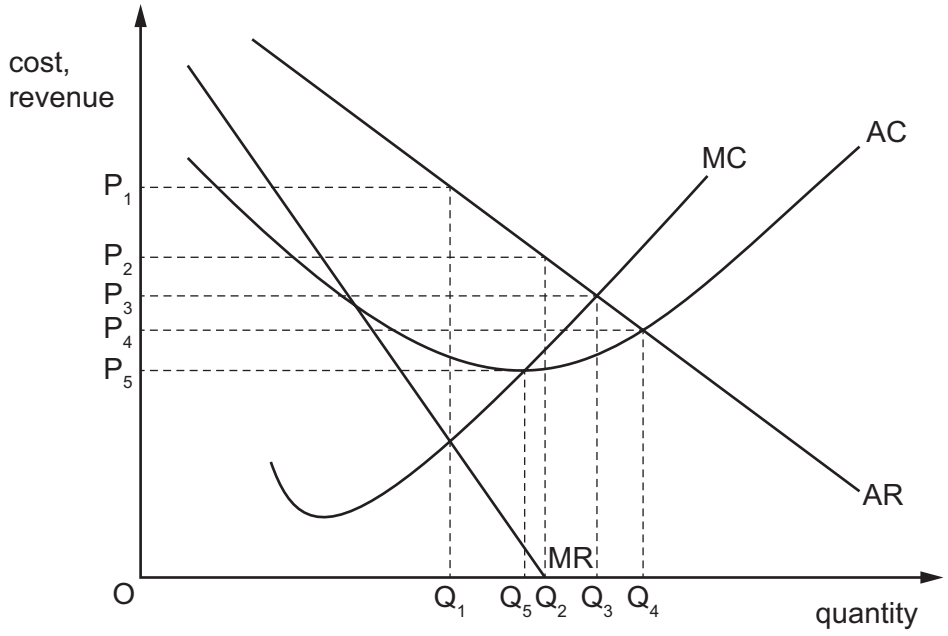
C



D



10 The diagram shows the cost and revenue curves of a firm in a contestable market.



It is currently charging the profit-maximising price OP_1. In order to deter entrants the firm decides to change its aim to sales maximising.

What price will achieve this new aim?

A OP_2 **B** OP_3 **C** OP_4 **D** OP_5

11 The table shows details of mergers (purchases and sales) involving UK companies in 2015 and 2016.

year	transactions abroad by UK companies				transactions in the UK by foreign companies			
	purchases		sales		purchases		sales	
	number	value £m	number	value £m	number	value £m	number	value £m
2015	170	25 561	42	16 852	145	33 335	35	7451
2016	135	16 665	43	15 898	227	187 418	39	4807

What can be concluded from the data?

A Purchasing activity abroad by UK companies increased from 2015–2016.

B Purchasing activity by UK companies exceeded purchasing activity by foreign companies.

C Purchasing activity by UK companies exceeded sales activity in both years.

D The value of sales by foreign companies increased from 2015–2016.

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12 What would explain an increase in the size of an industry and a fall in the average output of the firms in an industry?

A an advance in communication methods which reduce coordination problems within firms

B an advance in technology which increases the cost advantage of capital-intensive methods of production

C an increase in barriers to entry into the industry combined with an increase in barriers to exit from the industry

D an increase in external economies of scale combined with a decrease in internal economies of scale

13 Which characteristic would make it easier for firms in an industry to collude?

A a large number of firms

B homogenous products

C low barriers to entry

D rapid technological change

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

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

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

15 Wages in industry X are significantly higher than in industry Y.

What could explain this difference?

A Workers in industry Y are highly mobile.

B Trade union organisation in industry Y is relatively strong.

C Industries X and Y compete with each other for workers.

D Industry Y has non-monetary advantages.

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16 Good X is a popular product that creates a negative externality when it is consumed. Good Y is a more expensive substitute for X with fewer negative externalities when consumed.

The government wants to reduce the consumption of good X significantly but it does not wish to increase its budget deficit.

Under which circumstances is the government most likely to meet its aim?

	government taxes producers of good X	price elasticity of demand for good X	government subsidises producers of good Y	price elasticity of demand for good Y
A	✓	<1	✗	>1
B	✓	<1	✓	<1
C	✓	>1	✗	>1
D	✗	>1	✓	>1

17 Which changes in direct and indirect tax are likely to increase the inequality in the distribution of income in a developed economy?

	direct taxes	indirect taxes
A	fall	remain constant
B	fall	rise
C	rise	fall
D	rise	remain constant

18 A city has a problem with litter on its streets. The city council is considering several measures to reduce the litter.

Which measure to reduce litter would involve the use of 'nudge' theory?

A banning the dropping of litter with heavy fines for people who ignore the ban

B installing signs directing people to new litter bins and thanking them for using the bins

C raising local tax and using the money to employ more people to pick up litter

D removing all litter bins so that people have to take their litter home

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19 The government wants to regulate the consumption of a demerit good in order to increase society's net welfare.

In which situation will society's net welfare increase?

A The fall in the marginal social benefit is greater than the fall in the marginal social cost.

B The fall in the marginal social cost is greater than the fall in the marginal social benefit.

C The fall in the total social benefit is greater than the fall in the total social cost.

D The fall in the total social cost is greater than the fall in the total social benefit.

20 In 2015 New Zealand had a real Gross Domestic Product per capita of $34 762.

Why might this figure **not** be a good indicator of living standards?

A Foreign trade is not included in the figure.

B It does not take into account changes in population.

C It does not take into account inflation.

D There are wide differences in the distribution of income.

21 'The United Nations Development Programme states that economic growth and development will not reduce poverty, improve equality, generate jobs and secure livelihoods unless it is inclusive and sustainable.'

What would it mean if sustainable economic growth were achieved?

A Countries would benefit equally from growth in the global economy.

B Employees in a country would receive the same growth in incomes.

C Future citizens would benefit from economic growth and development.

D Producers in a country would experience the same growth in demand.

22 The table shows information about employment in a country.

year	numbers employed	unemployment rate (%)
2012	10 m	2
2017	11 m	10

What can be concluded from the table about the country in the period 2012 to 2017?

A The dependency ratio rose.

B The number of job vacancies fell.

C The participation rate fell.

D The working population rose.

23 Which type of unemployment results from industrial reorganisation due to technological change?

A cyclical unemployment

B frictional unemployment

C seasonal unemployment

D structural unemployment

24 During a year, a country's national income in money terms increased by 5%, prices increased by 4% and the total population increased by 2%.

What was the approximate change in real income per head?

A a decrease of 1%

B a decrease of 2%

C an increase of 1%

D an increase of 2%

25 Commercial banks in a country hold $50 million in cash but have created $600 million deposits. The central bank raises the cash deposit ratio to 10%.

What will be the outcome?

A Commercial banks will decrease deposits to $500 million.

B Commercial banks will deposit $5 million in the central bank.

C Commercial banks will deposit $10 million in the central bank.

D Commercial banks will increase money in circulation by $5 million.

26 According to Keynesian theory, in which circumstance would there always be an increase in the demand for money?

	real income	price level	interest rates
A	constant	constant	increase
B	constant	decrease	decrease
C	increase	decrease	increase
D	increase	increase	decrease

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27 A country decides to abolish its tariff on imports of copper from Zambia.

Under which circumstances would this benefit Zambia?

A The income elasticity of demand for copper is greater than one.

B The price elasticity of demand for copper is greater than one.

C The price elasticity of demand for copper is less than one.

D The price elasticity of supply for copper is less than one.

28 A small island economy imports most of its raw materials and demand for its exports is price-elastic.

What would be the most likely effect of an appreciation of its currency on its balance of payments on the current account and the rate of inflation?

	balance of payments on the current account	rate of inflation
A	improves	falls
B	improves	rises
C	worsens	falls
D	worsens	rises

29 What will be most likely to rise if unemployment is increasing in an economy?

A the human capital of unemployed workers

B the living standards of all workers

C the nominal money wage rate of employed workers

D the tax burden on employed workers

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30 The table gives some economic indicators for four countries.

Which country is closest to achieving the principal aims of government economic policy?

country	change in GDP (%)	rate of inflation (%)	unemployment (%)	balance of payments (% of GDP)
A	0.47	0.8	3.4	+3.3
B	1.13	0.9	10.5	–0.1
C	1.18	1.1	6.9	–3.3
D	1.45	0.1	4.6	+8.5

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