Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/31**

Paper 3 A Level Multiple Choice **October/November 2023**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

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1 Economists normally assume that the marginal utility from consuming additional goods is positive and diminishing.

What is the effect on total satisfaction of consuming extra units of the good?

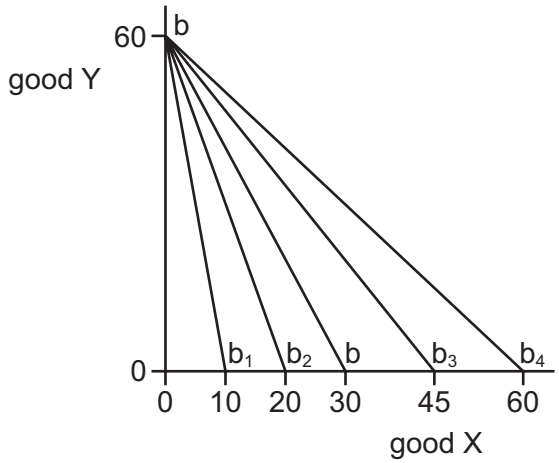
A Total satisfaction falls at a decreasing rate.

B Total satisfaction falls at an increasing rate.

C Total satisfaction rises at a decreasing rate.

D Total satisfaction rises at an increasing rate.

2 A budget line (b–b) shows the combinations of two goods, X and Y, that a consumer can obtain within a fixed income of $60 per week, when the price of Y = $1 and X = $2.



If the price of X rises to $3, what will be the new budget line?

A $b–b_1$ **B** $b–b_2$ **C** $b–b_3$ **D** $b–b_4$

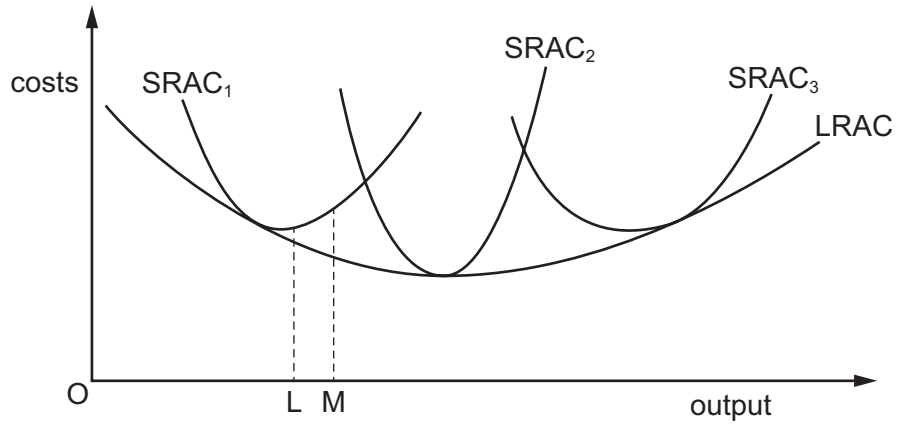
3 Which market structures are contestable?

	perfect competition	monopolistic competition	pure monopoly
A	no	no	yes
B	no	yes	yes
C	yes	no	no
D	yes	yes	no

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4 The diagram shows a long-run average cost curve (LRAC), and three short-run average cost curves ($SRAC_1$, $SRAC_2$ and $SRAC_3$) for an individual firm. Each short-run average cost curve represents a fixed factor of production.



Between levels of output OL and OM, which statement is **not** correct?

A Average fixed costs are falling.

B Economies of scale are being experienced.

C The law of diminishing returns is operative.

D There are decreasing returns to scale.

5 Which combination of reactions by rivals results in a kinked demand curve for an oligopolist when a price is changed?

A copying both a price rise and a price fall

B copying a price rise and ignoring a price fall

C ignoring a price rise and copying a price fall

D ignoring both a price rise and a price fall

6 What is a key condition for effective price discrimination?

A The product cannot be resold to another consumer.

B The product must be price inelastic.

C The profits from one market can be used to subsidise another market.

D There are low barriers to entry into the market.

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7 Which combination of cost conditions is most likely to act as a barrier to entry to a new firm wanting to join an industry?

	fixed costs as a proportion of total costs	minimum efficient scale of firms in the industry	level of sunk costs
A	high	high output	high
B	high	low output	high
C	low	high output	low
D	low	low output	low

8 How is dynamic efficiency represented on a diagram?

A a downward move to the minimum point of a long-run average cost curve

B a downward shift in the long-run average cost curve

C a move from a point inside a production possibility curve to a point on it

D a reduction in marginal revenue so that it equals long-run marginal cost

9 A city council is considering building a passenger terminal at its port so that the city can benefit from large cruise ships that could then dock there. It undertakes a cost–benefit analysis.

What would be included as an external cost in the city council's cost–benefit analysis?

A the cost of a ticket for a passenger to travel on a cruise ship

B the cost of fuel to operate the cruise ships

C the costs paid by cruise ships when they dock at the port

D the cost to a fishing fleet of relocating to another port

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

What 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

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11 Which statement is **not** an example of government failure?

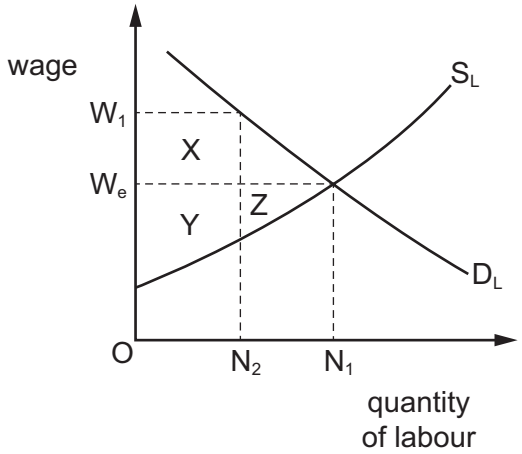
A government intervention leading to a less efficient allocation of resources

B government intervention leading to a net loss of economic welfare

C government intervention leading to an increase in consumer surplus

D government intervention leading to social costs exceeding social benefits

12 The diagram shows the demand for and supply of labour.



The government announces a minimum wage of W_1.

Which area represents the increase in the economic rent of workers who will continue to be employed at the minimum wage?

A X **B** Y **C** X + Y **D** X + Y + Z

13 A firm is faced with a shortage of labour. It decides to introduce its own training scheme for school leavers.

Which effect is this most likely to have on the firm?

A a decrease in the number of workers it employs

B a decrease in the productivity of its workforce

C an increase in the geographical mobility of its labour

D a shift of the supply curve for its labour to the right

14 What is likely to result if a government introduces a new regressive tax?

A Aggregate demand will increase.

B Employment opportunities will increase.

C Income equality will improve.

D Tax revenues will increase.

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15 Which government policy to counter the effects of income inequality is correctly matched with one of its advantages and one of its disadvantages?

	policy	advantage of policy	disadvantage of policy
A	food subsidies for the poor	targets those in need	high administrative costs
B	higher national minimum wage	encourages skill training	higher budget deficit
C	provision of free child care	increases employability	disincentive to work
D	universal monetary benefits	saves on bureaucracy	reduced labour mobility

16 Under which circumstances will a subsidy from the government be most beneficial if there are externalities from producing good X?

	externality caused by good X	price elasticity of demand of good X
A	negative	<1
B	negative	>1
C	positive	<1
D	positive	>1

17 What might **decrease** if a closed economy with a government sector decides to allow international trade?

A components of aggregate expenditure

B number of injections into the circular flow of income

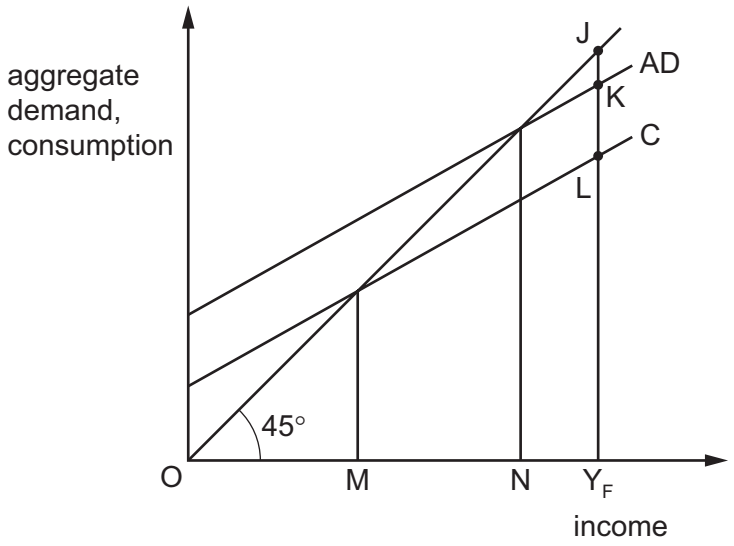
C number of leakages from the circular flow of income

D value of the economy's multiplier

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18 The diagram shows a closed economy in which the full employment level of income is Y_F.



Which distance measures the deflationary gap?

A JK **B** JL **C** NY_F **D** MY_F

19 Which policy to counter climate change is considered to be regulatory rather than market based?

A the introduction of carbon taxes on pollution

B the operation of tradable pollution permits

C the provision of government subsidies

D the setting of industrial emission standards

20 Which cause of economic growth is most likely to ensure that the growth is sustainable?

A deregulation of industrial production that uses mineral resources and fossil fuel

B increased government spending on environmental education, financed through taxes on harmful goods

C increased trade barriers on imports to protect domestic jobs and incomes

D reduced planning regulations to encourage construction in areas of natural beauty

21 In all major towns in a country, a government adopts a policy of opening centres where job vacancies are advertised.

Which type of unemployment is the government aiming to reduce with this policy?

A cyclical

B frictional

C regional

D seasonal

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22 What is the basic assumption underlying the accelerator theory?

A Investment depends on the level of business confidence.

B Investment depends on the level of savings.

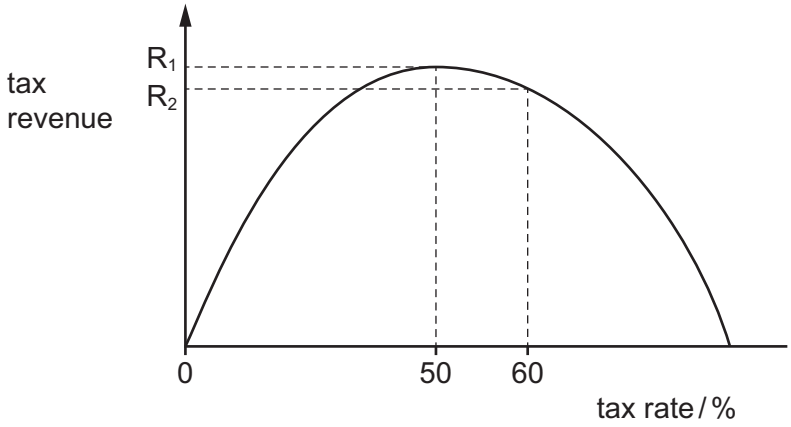
C Investment depends on the rate of change in national income.

D Investment depends on the rate of change of interest rates.

23 What shows the correct outcome for the policy option?

	policy option	outcome
A	depreciation of the exchange rate	encourages more exports, which also means greater employment
B	higher interest rates	attracts hot money inflows, and is an incentive for more consumer spending
C	decreased government spending	more workers will be employed, and more imports will be bought
D	reduction in income taxes	increases consumer spending, with increased demand for exports

24 The Laffer curve shows expected tax revenues at different tax rates.



An increase in the tax rate above 50% is expected to decrease tax revenue.

What is the reason for this?

A decreased incentive for emigration

B decreased incentive for tax evasion

C increased incentive for people to work

D increased incentive for people to work fewer hours

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25 A government wishes to improve the income distribution between the richest and poorest in society. It introduces means tested benefits for workers on low incomes. To pay for this, income tax rates for the highest paid will increase.

What is the most significant strength and weakness of this policy approach?

	strength	weakness
A	benefits are only given to those in need	poor non-workers will be no better off
B	intergenerational equity is improved	tax avoidance is more likely
C	workers will be encouraged to work more hours	taxation has become more regressive
D	the policy approach will be efficient to operate	wealth distribution will be affected more than income distribution

26 The table shows data on the unemployment and inflation rates for four countries in 2010 and 2014.

country	unemployment rate (% of workforce)		inflation rate (% per annum)	
	2010	2014	2010	2014
Australia	5.2	6.1	2.7	1.6
Canada	8.0	6.9	2.2	1.9
Japan	5.1	3.6	–0.3	2.5
United States	9.6	6.2	1.7	0.6

Which countries had a typical Phillips curve?

A Australia and Japan

B Australia only

C Japan only

D Canada and the United States

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27 Which adjustment is made to gross domestic product (GDP) to calculate a measure of economic welfare (MEW)?

	environmental costs and benefits	the value of leisure activity	the value of unpaid work
A	no	no	yes
B	yes	no	no
C	yes	yes	no
D	yes	yes	yes

28 Purchasing power parity (PPP) allows a comparison of the purchasing power in two countries.

What is a definition of PPP?

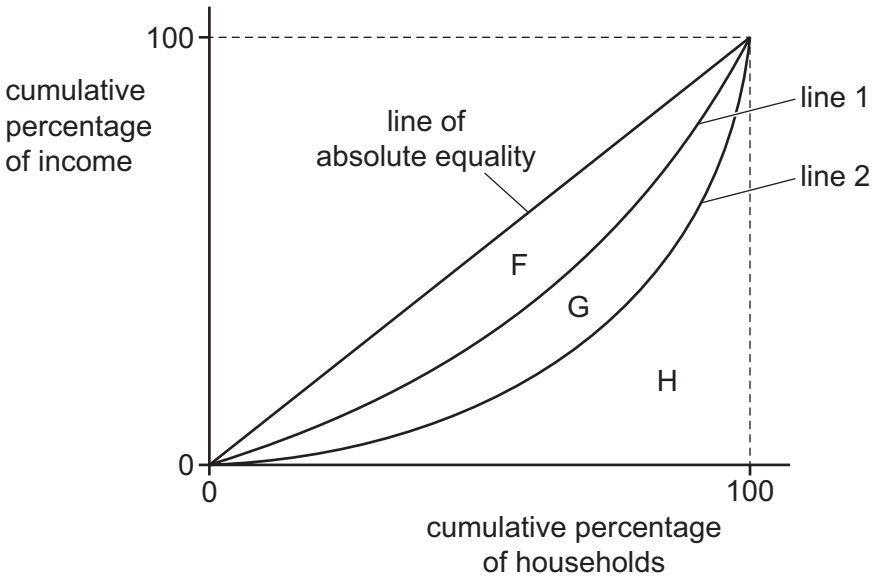
A the amount of the domestic currency needed to purchase a unit of foreign currency

B the quantity of a currency required to purchase the same basket of goods in both countries

C the quantity of goods and services that can be purchased by a person on an average income

D the value of expenditure by households on goods and services in a country

29 A Lorenz curve measures the income distribution in a country. The further the Lorenz curve is from the line of absolute equality, the greater the level of inequality.



What is the value of the Gini coefficient when the Lorenz curve is at line 2?

A $\frac{F+G}{H}$ **B** $\frac{F+G}{F+G+H}$ **C** $\frac{G}{G+H}$ **D** $\frac{H}{F+G+H}$

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30 The turning point on the Kuznets curve for income inequality has been estimated to be in the region of US$10 500.

For a country that has a GDP per capita of $8000, what is most likely?

A A reduction in GDP per capita will have no effect on income inequality.

B A reduction in GDP per capita will increase income inequality.

C An increase in GDP per capita will have no effect on income inequality.

D An increase in GDP per capita will increase income inequality.

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

Question number

Paper 9708/31: Multiple choice answers

1	C	MU is positive, so each extra unit adds to total satisfaction; as MU diminishes, each addition is smaller, so total utility rises at a decreasing rate.
2	B	At $3 per unit, $60 buys at most 20 units of X instead of 30; the Y intercept (60) is unchanged, so the line pivots inwards to b–b2.
3	D	Perfect and monopolistic competition have free entry and exit, so they are contestable; a pure monopoly has high barriers to entry.
4	D	Between L and M the LRAC is still falling, so there are increasing (not decreasing) returns to scale.
5	C	Rivals ignore a price rise (demand above the kink is elastic) but copy a price cut (demand below is inelastic), giving the kink.
6	A	Markets must be kept separate: if the good could be resold, buyers in the cheap market would resell to the dear one.
7	A	High fixed costs, a large minimum efficient scale and high sunk costs make entry costly and risky for a new firm.
8	B	Dynamic efficiency comes from innovation and new technology over time, which shifts the whole LRAC curve down.
9	D	The fishing fleet is a third party outside the project; its relocation cost is an external cost.
10	B	The firms pay their own private costs and now also pay to repair the external damage they cause.
11	C	Higher consumer surplus is a gain in welfare, so it is not a failure; A, B and D all mean welfare is reduced.
12	A	At W1 only N2 workers are employed; each earns W1 – We more for the same

Question number		
		supply, so their extra economic rent is area X.
13	D	Training school leavers adds to the pool of suitably skilled workers available to the firm, so its labour supply shifts right.
14	D	A new tax of any kind adds a source of revenue, so tax revenue rises (a regressive tax widens inequality and cuts AD).
15	A	Food subsidies for the poor are targeted at those in need, but means testing and running the scheme is costly to administer.
16	D	A positive externality means under-production; with elastic demand (PED > 1), the lower price raises output a lot.
17	D	Trade adds imports as a new leakage, so the marginal propensity to withdraw rises and the multiplier falls.
18	A	At full-employment income YF, the 45° line is at J but AD is only at K, so the deflationary gap is JK.
19	D	Emission standards are legal limits imposed by rules; taxes, permits and subsidies work through prices.
20	B	Environmental education, paid for by taxes on harmful goods, reduces damage so growth can be kept up for future generations.
21	B	Job centres give better information on vacancies, cutting the time spent searching between jobs: frictional unemployment.
22	C	The accelerator says investment depends on the rate of change of national income (output).
23	A	Depreciation makes exports cheaper abroad, so more exports are sold and more workers are needed to produce them.
24	D	Above 50% the reward for extra work is lower, so people work fewer hours and the tax base, and so revenue, shrinks.
25	A	Means-tested benefits go only to those in need, but because they are paid to workers, poor people not in work gain nothing.
26	A	Australia: unemployment up, inflation down. Japan: unemployment down,

Question number		
		inflation up. Both show the inverse Phillips relationship.
27	D	MEW adjusts GDP for environmental costs and benefits, the value of leisure and the value of unpaid work.
28	B	PPP measures how much of each currency is needed to buy the same basket of goods in both countries.
29	B	Gini = area between the equality line and the Lorenz curve ÷ total area under the equality line = (F + G) ÷ (F + G + H).
30	D	At $8000 the country is below the $10 500 turning point, on the rising part of the curve, so growth increases inequality.

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ECONOMICS **9708/32**

Paper 3 A Level Multiple Choice **October/November 2023**

1 hour 15 minutes

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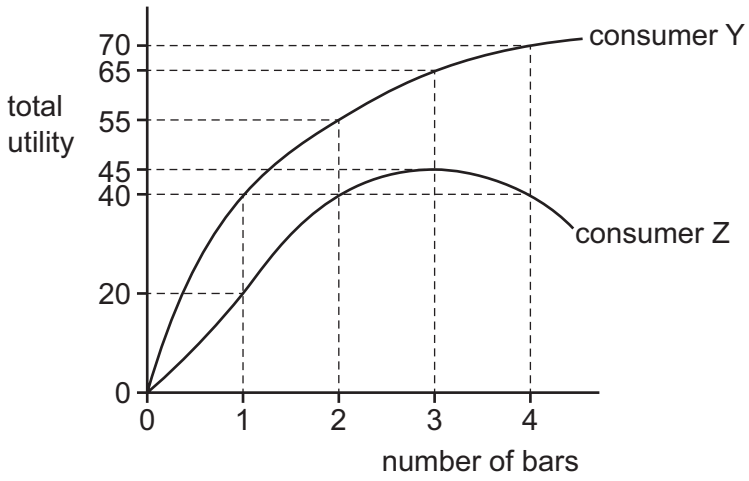
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1 The diagram shows the total utility of consumers Y and Z when each consumes bars of chocolate.



What is the difference in the marginal utility of consumers Y and Z when each consumes four bars of chocolate?

A 0 **B** 5 **C** 10 **D** 30

2 When choosing to buy two products, the satisfaction gained by the consumption of different combinations of these two products can be represented by an indifference curve.

Which statement about such an indifference curve diagram is correct?

A The range of indifference curves shows the combination of products a consumer can purchase with a given income.

B If an indifference curve is a downward-sloping straight line, the principle of diminishing marginal utility must be operating.

C Indifference curves never cross, because this means that a consumer would be indifferent between combinations of two goods, even when one combination provides more of each good.

D The gap between indifference curves is always constant.

3 Negative externalities, such as air pollution due to car emissions, can cause damage to people's health in cities.

Which response is most likely to occur from this situation?

A car manufacturers will automatically bear any external costs

B market failure will be resolved when private costs equal external costs

C most people will decide to use buses rather than cars

D some form of government intervention to improve economic efficiency

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4 The merger of two large firms in the Singapore market supplying taxis and private hire vehicles resulted in a single firm with 80% of the market. The remaining 20% of the market consisted of thousands of independent taxi drivers.

Which statement best describes what has effectively occurred in the market structure?

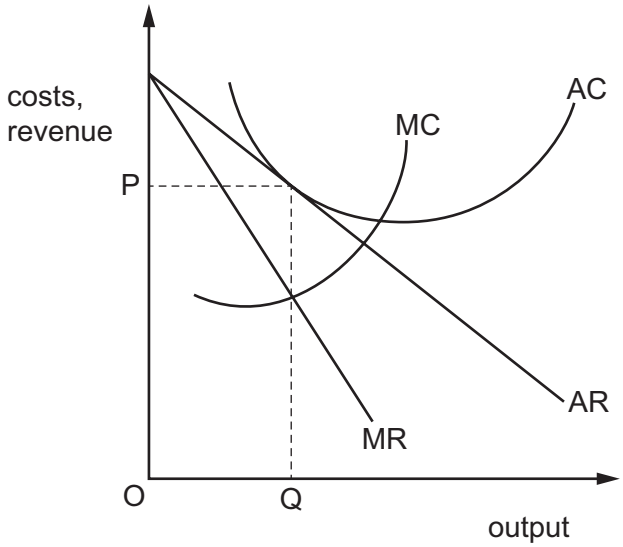
A The market has become monopolistically competitive.

B The market has changed from an oligopoly to a monopoly.

C The market has changed from perfect competition to an oligopoly.

D The market remains an oligopoly.

5 The diagram shows the cost and revenue curves of a profit-maximising, monopolistically competitive firm in long-run equilibrium.



Which statement correctly describes the performance of this firm?

A It is allocatively efficient.

B It is making abnormal losses.

C It is making abnormal profits.

D It is making normal profits.

6 A firm changes its aim and chooses to produce where marginal revenue (MR) is zero instead of where MR is equal to marginal cost (MC).

Which explanation for this is **not** correct?

A The firm wishes to increase sales.

B The firm wishes to increase its output.

C The firm wishes to reduce prices.

D The firm wishes to gain more profits.

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7 A firm operating in the airline industry uses third degree price discrimination.

Which condition is most likely to allow this to happen?

A Consumers are able to buy cheaply and then sell the product at a higher price.

B Price elasticity of demand is the same for all consumers in the market.

C The firm faces a perfectly elastic demand curve.

D The firm is able to keep the different market segments separate.

8 What is **not** an example of a moral hazard?

A People with a higher risk of unemployment are more likely to undertake training.

B People with free dental care are less likely to take care of their teeth with good oral hygiene.

C People with insurance against car theft are more likely to park their car in high crime areas.

D People with unemployment benefits are less likely to undertake retraining if they become unemployed.

9 In recent years, the fuel cost of operating a jet aircraft has declined. Over the same period, improved design has led to much quieter aircraft.

How would this affect the marginal private cost (MPC) and the marginal external cost (MEC) of air travel?

A a downward shift of both the MPC and the MEC curves

B a downward shift of the MPC curve and a movement left along the MEC curve

C a movement left along both the MPC and the MEC curves

D a movement left along the MPC curve and a downward shift of the MEC curve

10 Firm K operates in a competitive market. Firm L is a monopsony employer. Both firms are operating at an equilibrium level of output.

Trade unions are introduced with the result that wages in each firm are increased.

What is the likely effect on each firm if trade unions enter the labour market?

	firm K	firm L
A	employment will decrease	employment will decrease
B	employment will decrease	employment will increase
C	employment will increase	employment will decrease
D	employment will increase	employment will increase

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11 A backward-sloping supply curve of labour is one where, beyond a certain point, the supply of labour

A decreases as the demand for labour rises.

B increases as the demand for labour rises.

C decreases as wages rise.

D increases as wages rise.

12 What is the economic result of a universal basic income (UBI)?

	reduces the incentive to work	improves equality
A	no	no
B	no	yes
C	yes	no
D	yes	yes

13 Which combination of fiscal policy measures would be most effective in reducing income inequality?

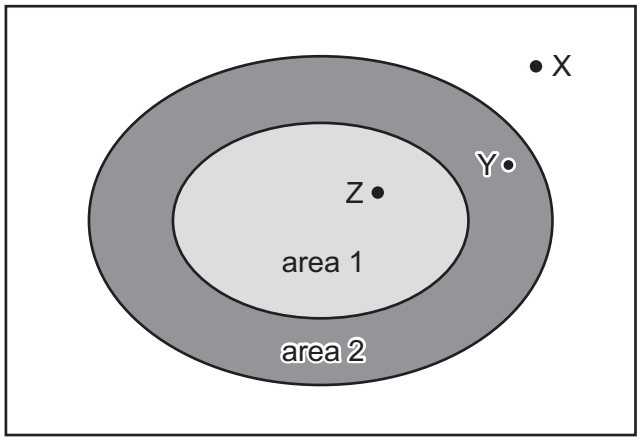
	top rates of income tax	indirect taxes	value of state benefits
A	increase	increase	increase
B	increase	reduce	increase
C	reduce	increase	reduce
D	reduce	reduce	reduce

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14 At present, motorists who drive their cars within area 1 on the map pay a daily congestion charge of $8.



Which car journeys would decrease in number if the congestion charge area were extended to include area 2?

A journeys from point X to point Z

B journeys from point X to point Y

C journeys from point Y to point Z

D journeys from point Z to point Y

15 What is most likely to lead to an increase in the size of the national income?

A a fall in interest rates on savings accounts

B a fall in the prices of imported goods

C a decrease in government spending

D an increase in direct taxes

16 Which government policy is most likely to improve occupational mobility?

A decreased income tax rates

B increased government spending on education and training

C increased government spending on infrastructure

D increased subsidies to firms to employ school leavers

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17 The table shows the marginal propensity to consume (MPC), marginal propensity to save (MPS), marginal rate of taxation (MRT) and marginal propensity to import (MPM) for a four-sector economy.

	value
MPC	0.5
MPS	0.2
MRT	0.2
MPM	0.1

What is the size of the multiplier?

A 1 **B** 2 **C** 5 **D** 10

18 What is likely to happen when the productive capacity of a free enterprise economy increases over a long period of time?

A Future generations will be less well-off than present generations.

B Increasing the production of one good cannot be done without decreasing the production of another.

C Individuals will have more choices due to a wider range of consumer goods.

D Rising levels of output will cause per capita incomes to equalise.

19 The accelerator principle refers to a relationship between investment and

A the level of GDP.

B changes in GDP.

C the level of interest rates.

D changes in interest rates.

20 What is likely to be the effect of an increase in the budget deficit?

A an increase in effective demand

B an increase in unemployment

C a reduction in inflation

D a reduction in the volume of spending

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

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

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

A Canada and Germany

B Canada only

C France and Japan

D France only

22 Which government policy would boost economic growth but **not** necessarily promote economic development?

A creating a more equal distribution of income and wealth

B diverting government spending from industry to education

C encouraging the extraction of finite natural resources

D introducing tighter controls on air pollution

23 Which policy measure to encourage economic growth might be based on the concept of the Laffer curve?

A cuts in direct taxes

B exchange rate depreciation

C investment subsidies

D quantitative easing

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24 The exchange rate of an economy appreciates.

Assuming that the Marshall–Lerner condition holds in this economy, what is the likely outcome for imported inflation and unemployment?

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

25 Which characteristics are most commonly found in low-income countries?

	saving ratio	capital-output ratio
A	low	low
B	high	low
C	low	high
D	high	high

26 What has **not** accompanied global economic growth over the last 25 years?

A a depletion of non-renewable resources

B decreased international trade

C growing urbanisation

D increased atmospheric pollution

27 When assessing income distribution in an economy, which change in the Gini coefficient suggests that a country is distributing its income more equally?

A It has moved closer to one.

B It has moved closer to zero.

C It has moved from negative to positive.

D It has moved from positive to negative.

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28 In 2021, a very large cargo ship carrying over 18 000 cargo containers blocked the Suez Canal for seven days. It delayed over 350 other cargo ships, causing shortages of products in markets around the world as supplies were disrupted.

Which consequence of globalisation is best illustrated by this event?

A cheaper products for consumers

B greater choice of products for consumers

C increased interdependence between countries

D increased migration of labour between countries

29 The table shows data for Namibia and Spain from 2014 to 2017.

	Namibia		Spain	
	2014	2017	2014	2017
real GDP per capita ($)	6113	6013	29 399	32 283
health spending per capita ($) (assuming constant price levels)	452	447	2 671	2 506

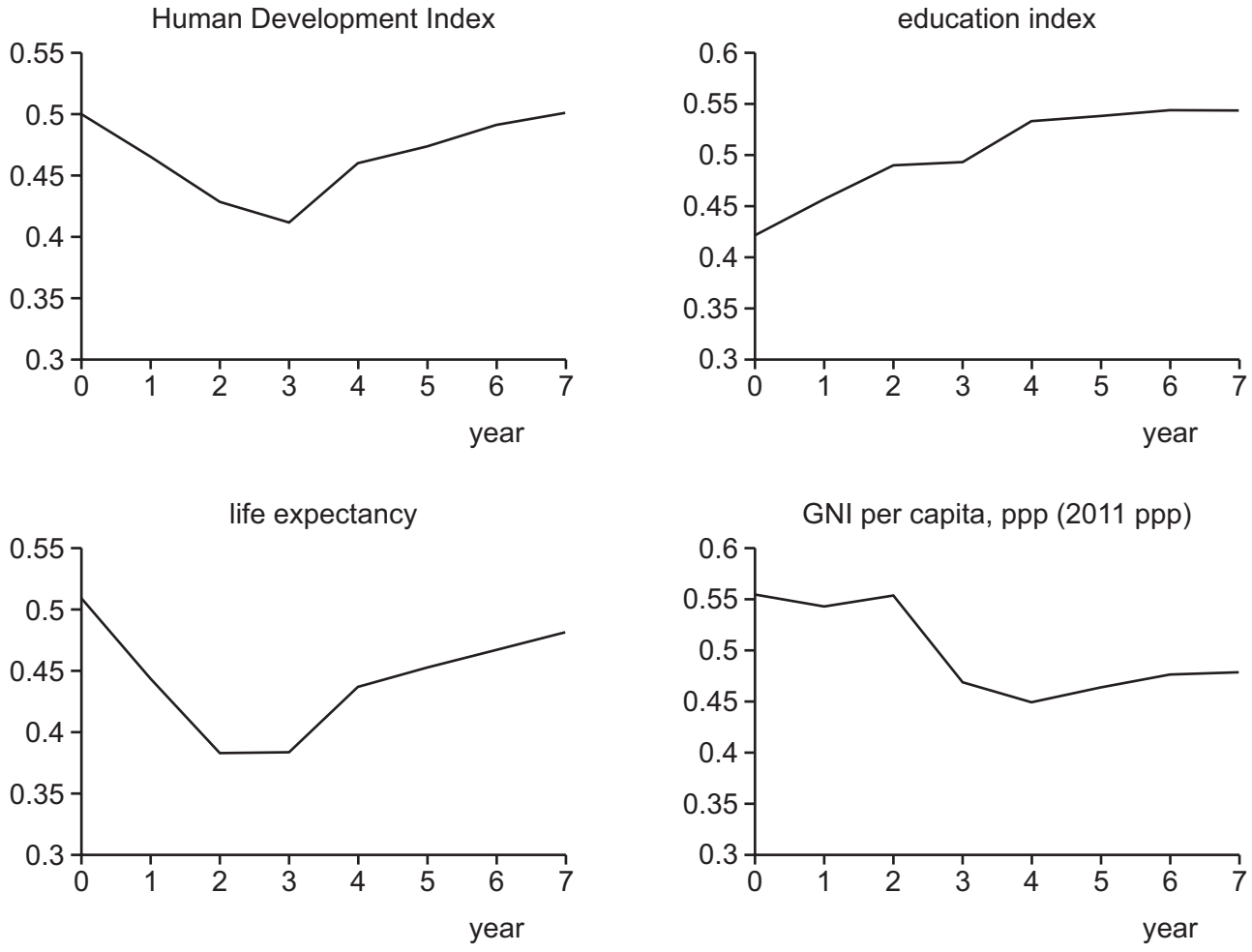
What can be concluded about whether there has been an increase in economic growth and economic development in Namibia and Spain between 2014 and 2017?

	economic growth	economic development
A	Namibia only	Namibia only
B	Spain only	Namibia and Spain
C	Spain only	neither country
D	neither country	Spain only

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30 The graphs show the Human Development Index (HDI) and its component parts for Zimbabwe.



Between years 3–7, which components of HDI have comparable changes to its overall change?

A education, GNI per capita and life expectancy

B education and GNI per capita only

C education and life expectancy only

D GNI per capita and life expectancy only

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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 4th bar: Y = 70 − 65 = 5; Z = 40 − 45 = −5. Difference = 5 − (−5) = 10.
2	C	If curves crossed, a bundle with more of both goods would give the same satisfaction as one with less, which is irrational.
3	D	The market ignores the external cost, so it fails; government intervention (tax, regulation) is needed to improve efficiency.
4	B	Two large firms (oligopoly) merged into one with 80% of the market, far above the 25% monopoly benchmark, so it is a monopoly.
5	D	In long-run equilibrium AR is tangent to AC at the profit-maximising output Q, so price = AC: normal profit only.
6	D	Producing where MR = 0 maximises revenue, not profit, so the aim cannot be more profit; output and sales rise and price falls.
7	D	Third degree price discrimination needs separate market segments so tickets cannot be resold between them.
8	A	Moral hazard is taking more risk because one is protected; training to reduce the risk of unemployment is the opposite.
9	A	Lower fuel cost cuts private cost at every output, and quieter planes cut the noise cost to third parties, so both curves shift down.
10	B	In a competitive labour market a higher wage cuts employment; under monopsony a union wage up to MRP can raise employment.
11	C	Beyond a certain wage the income effect outweighs the substitution effect, so workers supply fewer hours as wages rise.
12	D	An unconditional payment to all reduces the need to work but raises incomes

Question number		
		at the bottom, improving equality.
13	B	Higher top income tax rates (progressive), lower indirect taxes (regressive) and higher benefits all narrow income gaps.
14	B	X is outside both areas and Y is in area 2, so this trip only becomes chargeable once area 2 is included; X to Z and Y to Z already pay.
15	A	Lower interest rates on savings reduce the reward for saving, so saving falls and consumption (and national income) rises.
16	B	Education and training give workers new skills, so they can move more easily between occupations.
17	B	Leakages: MPS + MRT + MPM = 0.5, so multiplier = 1 ÷ 0.5 = 2.
18	C	Greater productive capacity allows more output of a wider range of goods, so consumers have more choice.
19	B	The accelerator links investment to changes in GDP (the rate of change of output), not its level.
20	A	A larger deficit means more government spending or lower taxes, so aggregate (effective) demand rises.
21	C	France: inflation down, unemployment up. Japan: inflation down, unemployment up. Canada (both up) and Germany (both down) show no trade-off.
22	C	Extracting finite resources raises output now but depletes resources and harms the environment, so it may not raise development.
23	A	The Laffer curve suggests that lower tax rates increase work incentives and so may raise output and tax revenue.
24	B	Appreciation makes imports cheaper, so imported inflation falls; exports become dearer, net exports fall and unemployment rises.
25	A	Low incomes leave little to save (low saving ratio), so little capital is accumulated relative to output: a low capital-output ratio.
26	B	Globalisation over the last 25 years has increased, not decreased,

Question number		
		international trade.
27	B	A Gini coefficient of 0 is perfect equality, so moving closer to zero means income is more equally distributed.
28	C	One blockage caused shortages around the world, showing how dependent countries are on each other's trade.
29	C	Real GDP per capita fell in Namibia (6113 to 6013) but rose in Spain; health spending per capita fell in both, so no development.
30	C	Between years 3 and 7, HDI, education and life expectancy all rise in a similar pattern; GNI per capita moves differently.

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/33**

Paper 3 A Level Multiple Choice **October/November 2023**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

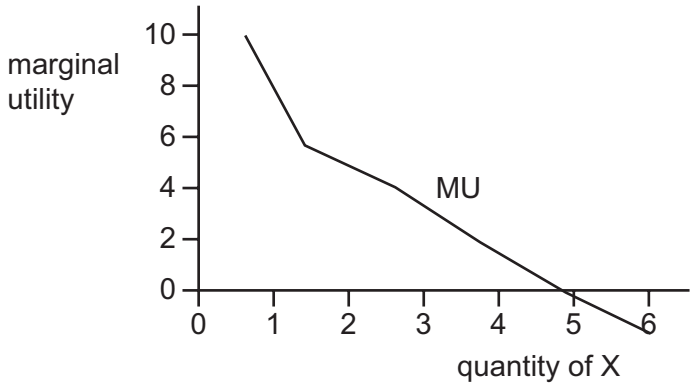
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1 The diagram shows the marginal utility (MU) from the consumption of quantities of good X.



What happens to the total utility as consumption of X rises from 1 to 6 units?

A It falls continuously.

B It falls and then rises.

C It rises continuously.

D It rises and then falls.

2 An indifference curve is typically drawn with a convex shape.

Which economic concept explains the reason for this convex shape?

A allocative efficiency

B diminishing marginal rate of substitution

C Pareto optimality

D the equi-marginal principle

3 What is most likely to increase the principal–agent problem?

A ensuring the actions of agents are known by the managers

B linking the rewards of managers with the profitability of the firm

C removing from managers the opportunity to hold shares

D preparing contracts that compel agents to work in the interest of the principal

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4 The table shows a firm's total fixed cost and total variable cost.

output	total fixed cost $	total variable cost $
1	1000	1000
2	1000	2000
3	1000	3000
4	1000	4000
5	1000	5000
6	1000	6000

What can be concluded from the table?

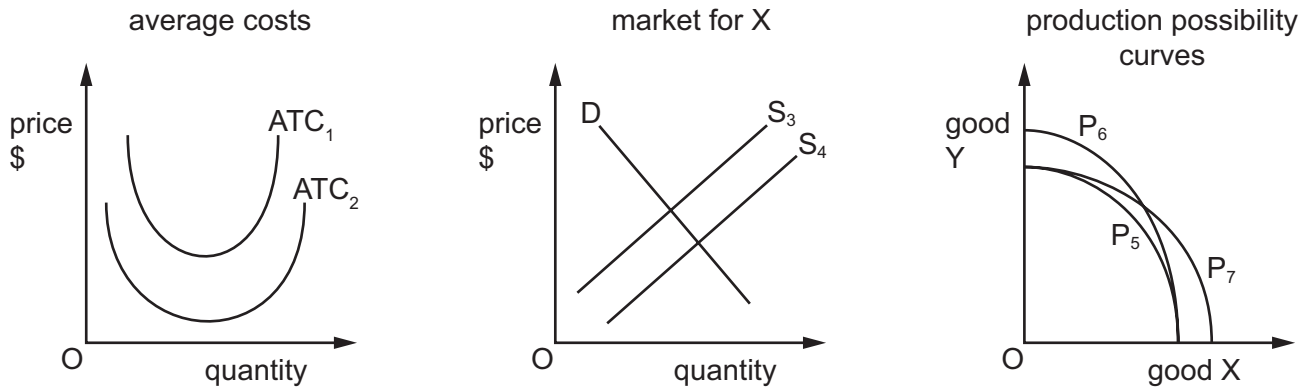
A Average fixed cost falls.

B Average fixed cost is constant.

C Average variable cost falls.

D Average variable cost rises.

5 The diagrams relate to industry X. P_5 is the original production possibility curve.



An improvement takes place in manufacturing techniques in industry X.

Which changes take place?

	average costs	market for X	new production possibility frontier
A	ATC_1 to ATC_2	S_3 to S_4	P_7
B	ATC_1 to ATC_2	S_4 to S_3	P_6
C	ATC_2 to ATC_1	S_3 to S_4	P_6
D	ATC_2 to ATC_1	S_4 to S_3	P_7

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6 The world's largest coffee restaurant chain purchased a large coffee bean farm in Costa Rica. The farm has research and development facilities to study specific diseases that devastate the coffee bean crop.

How is this type of takeover classified?

A horizontal integration

B organic growth

C vertical backward integration

D vertical forward integration

7 Which condition is necessary for a firm to practise third degree price discrimination effectively?

A All consumers and producers must be in the same geographical location.

B Customers must be divided into separate markets for the same product.

C Each separate market must have identical price elasticities of demand.

D Price undercutting is required to enter a monopolistic market.

8 A traffic study concluded that there would be significant benefits if 10% of car drivers switched to using motorcycles during peak traffic times.

Which benefit of this change would be considered a private benefit?

A faster journeys for those who continued to go by car

B faster journeys for those who switched to motorcycles

C increased safety for cyclists

D reduced levels of air pollution for pedestrians

9 Which conditions are most likely to reduce the accuracy of cost-benefit analysis in decision making?

	proportion of external costs and benefits to total costs and benefits	% of total costs and total benefits that are in the future
A	high	high
B	high	low
C	low	high
D	low	low

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10 What is consistent with a movement towards Pareto optimality?

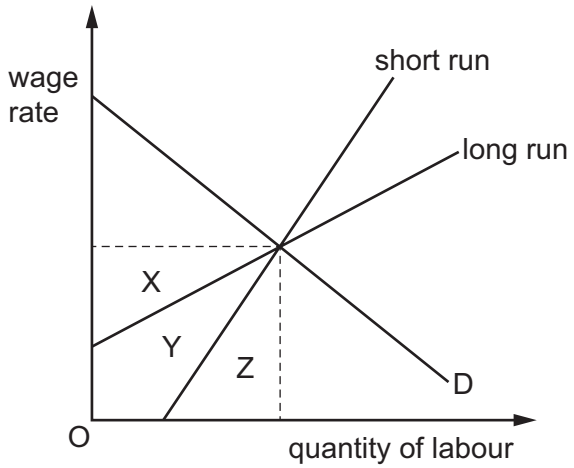
A when negative externality lowers the utility of an individual

B when consumption of a good is non-rival

C when reallocation of resources can make someone better off without making any other person worse off

D when trade takes place to make one nation better off at the expense of its trading partner

11 The diagram shows the short-run supply curve and long-run supply curve of labour.



Which area turns from economic rent in the short run to transfer earnings in the long run?

A X **B** X + Y **C** Y **D** Y + Z

12 Which policies might a government introduce to increase the marginal productivity of labour?

	better education	tax allowances for capital goods
A	no	no
B	no	yes
C	yes	no
D	yes	yes

13 What is most likely to increase relative poverty in a country?

A increasing means-tested benefit levels

B increasing the power of trade unions

C making the tax system more progressive

D removing the national minimum wage

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14 Which policy is **not** designed to correct a market failure?

A government provision of healthcare

B price controls on large firms

C regulations to limit smoke pollution

D introducing import quotas

15 To control the cost of living, governments have sometimes imposed a maximum price on certain goods that is below the free market price.

What is often an undesirable side effect of such a policy?

A accelerating general inflation

B an increase in profits above normal profits

C an increase in the stocks of unsold goods held by firms

D shortages of the good

16 When is an increase in national income most likely to induce an increase in investment spending?

A when firms have spare production capacity

B when firms use labour-intensive production

C when the increase in income is regarded as permanent

D when the increase in income is regarded as temporary

17 What is a function of money?

A It can be divided into small units.

B It can be easily carried.

C It is a standard of deferred payment.

D It is widely accepted.

18 A pandemic encourages many workers in developed countries to work from home, leading to a closure of city centre businesses such as coffee shops and retailers.

If this way of working continues after the pandemic, what is the most likely result?

A Frictional unemployment will decrease.

B The geographical mobility of labour will increase.

C Structural unemployment will increase.

D Voluntary unemployment will increase.

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19 In its 2020 population census, China reported that the total population was just below 1.4 billion. The birth rate had continued to decline, the number of those reaching retirement age had increased and the percentage size of the workforce had decreased.

Which change of policy would most quickly sustain China's economic growth in view of these population changes?

A Allow more immigration of labour.

B Encourage women to leave work to have more children.

C Increase research in technology to improve labour productivity.

D Tax the labour force more to pay for the increasing number of pensions.

20 Other things remaining equal, what will reduce the level of national income in an economy?

A a fall in planned savings

B a fall in the marginal propensity to import

C an increase in the average propensity to consume

D a reduction in the level of defence expenditure

21 What, according to the accelerator principle, will cause the level of investment to fall?

A a decrease in confidence

B a decrease in the rate of growth of national income

C an increase in the price of capital equipment

D an increase in the rate of interest

22 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

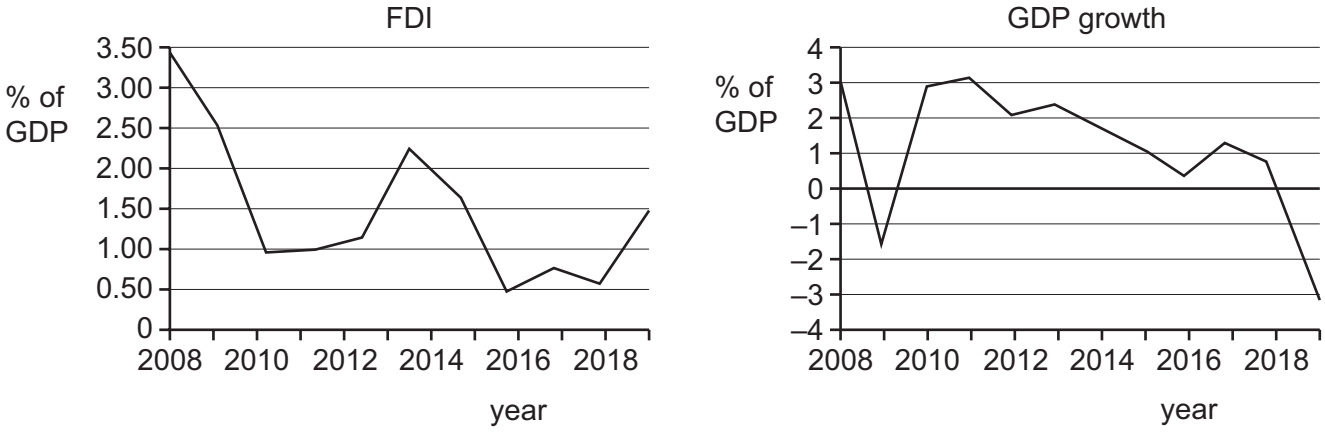
C the rate of inflation

D the rate of interest

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23 South Africa has attempted to improve the level of economic growth by attracting foreign direct investment (FDI).



What can be deduced from this diagram about the relationship between FDI and GDP growth between 2008 and 2018?

A The relationship between level of FDI and GDP growth is generally weak.

B Increases in FDI are in line with improvements in GDP growth.

C Lowering FDI is linked to stable GDP growth.

D Negative GDP growth is linked to a lack of inflows of FDI.

24 Which change would be most likely to indicate that a country has experienced economic development?

A an appreciation in the country's currency

B an improvement in the average citizen's quality of life

C an improvement in the country's trade balance

D an increase in the country's real GDP

25 The table gives some economic indicators for four countries.

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

	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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26 What is a government macroeconomic aim?

A a fall in the general price level of goods and services

B an increase in monopoly regulation

C lower taxes on consumer goods

D a minimum wage for low paid agricultural workers

27 Which row correctly identifies the characteristics of a low-income economy?

	dependency on the primary sector	Gini coefficient value	per capita real income
A	high	high	high
B	high	high	low
C	high	low	low
D	low	high	low

28 What is the role of the International Monetary Fund (IMF)?

A to advise countries that are experiencing trade disagreements

B to help charities providing emergency assistance to countries in need

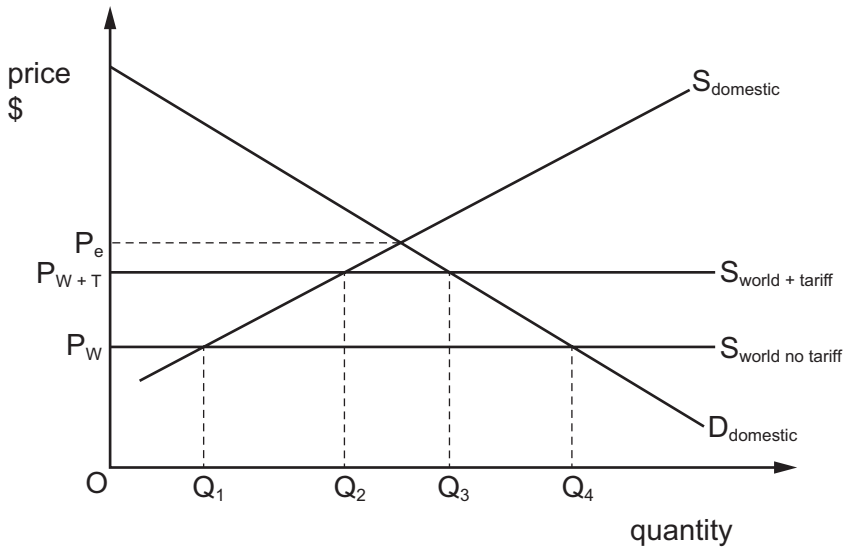
C to offer short-term assistance to countries with balance of payments problems

D to provide interest-free credit to developing countries for infrastructure purposes

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29 The diagram shows the international trading position of a country that had tariffs on imports. The country removed the tariffs on imports.



What was the quantity of imports into this country after the removal of the tariffs?

A Q_1Q_2 **B** Q_1Q_4 **C** Q_2Q_3 **D** Q_3Q_4

30 Under which circumstances will low wages and low-cost land in a low-income country **not** attract foreign investment in manufacturing?

A if the country creates genuine independence for their central bank

B if the country embarks on a programme of privatisation

C if the country lacks well-developed infrastructure

D if the country permits repatriation of profits

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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	D	MU is positive up to a point, so total utility rises; once MU becomes negative, total utility falls.
2	B	As a consumer has more of one good, they give up less of the other for an extra unit: diminishing MRS gives a convex curve.
3	C	If managers cannot hold shares, their rewards are no longer tied to the owners' interests, so the conflict increases.
4	A	TFC is fixed at $1000, so AFC = 1000 ÷ output falls; AVC is constant at $1000 (eg 3000 ÷ 3).
5	A	Better techniques cut costs (ATC1 to ATC2), shift supply right (S3 to S4) and let more X be produced, so the PPC pivots out to P7.
6	C	A retailer buying its supplier of raw materials (an earlier stage of production) is backward vertical integration.
7	B	Buyers must be separated into distinct markets for the same product, so the good cannot be resold between them.
8	B	The faster journey is enjoyed by the people who made the switch themselves, so it is a private benefit.
9	A	External effects are hard to value in money, and future costs and benefits are uncertain, so both being high reduces accuracy.
10	C	Pareto optimality is reached when no one can be made better off without making someone else worse off.
11	C	Supply is more elastic in the long run; area Y lies between the two supply curves, so it is rent in the short run but transfer earnings in the long run.
12	D	Better education raises skills, and tax allowances encourage more capital per

Question number		
		worker, so both raise output per worker.
13	D	Removing the minimum wage lets the lowest wages fall, so more people fall further below average income.
14	D	Import quotas protect domestic producers; they are not aimed at correcting a market failure.
15	D	A maximum price below equilibrium raises quantity demanded and cuts quantity supplied, so there is a shortage.
16	C	Firms only invest in extra capacity if they expect the higher demand to last, ie if the rise in income is seen as permanent.
17	C	Money functions as a standard of deferred payment; A, B and D are characteristics, not functions.
18	C	A permanent fall in demand for city-centre services means those workers' skills and jobs no longer match demand: structural unemployment.
19	A	Immigration adds to the workforce immediately, so it is the quickest way to offset a shrinking labour force.
20	D	Defence spending is government spending, an injection; a cut reduces aggregate demand and, via the multiplier, national income.
21	B	Investment depends on the rate of change of income, so if growth slows, induced investment falls.
22	C	The Phillips curve plots the rate of inflation (vertical) against the unemployment rate (horizontal).
23	A	FDI and GDP growth do not move consistently together over 2008 to 2018, so the relationship is generally weak.
24	B	Development is about living standards and welfare, so a better quality of life for the average citizen indicates it.
25	D	D has the fastest growth (1.45%), low unemployment (4.6%), stable prices (0.1%) and a balance of payments surplus (+8.5%).
26	A	Price stability (controlling the general price level) is a macro aim; B, C and

Question number		
		D are microeconomic measures.
27	B	Low-income economies depend heavily on primary production, have high inequality (high Gini) and low real income per head.
28	C	The IMF lends short term to countries with balance of payments difficulties to help them stabilise.
29	B	At the world price PW without tariffs, domestic supply is Q1 and demand is Q4, so imports = Q1Q4.
30	C	Without good roads, ports, power and communications, the costs of producing and shipping goods are too high to attract investors.