Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/11**

Paper 1 Multiple Choice (Core) **October/November 2015**

1 hour

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

* 6 3 7 2 6 1 2 3 9 6 *

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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.
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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.

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1 Which feature of travelling by road would be seen in a mixed economy but **not** in a pure market economy?

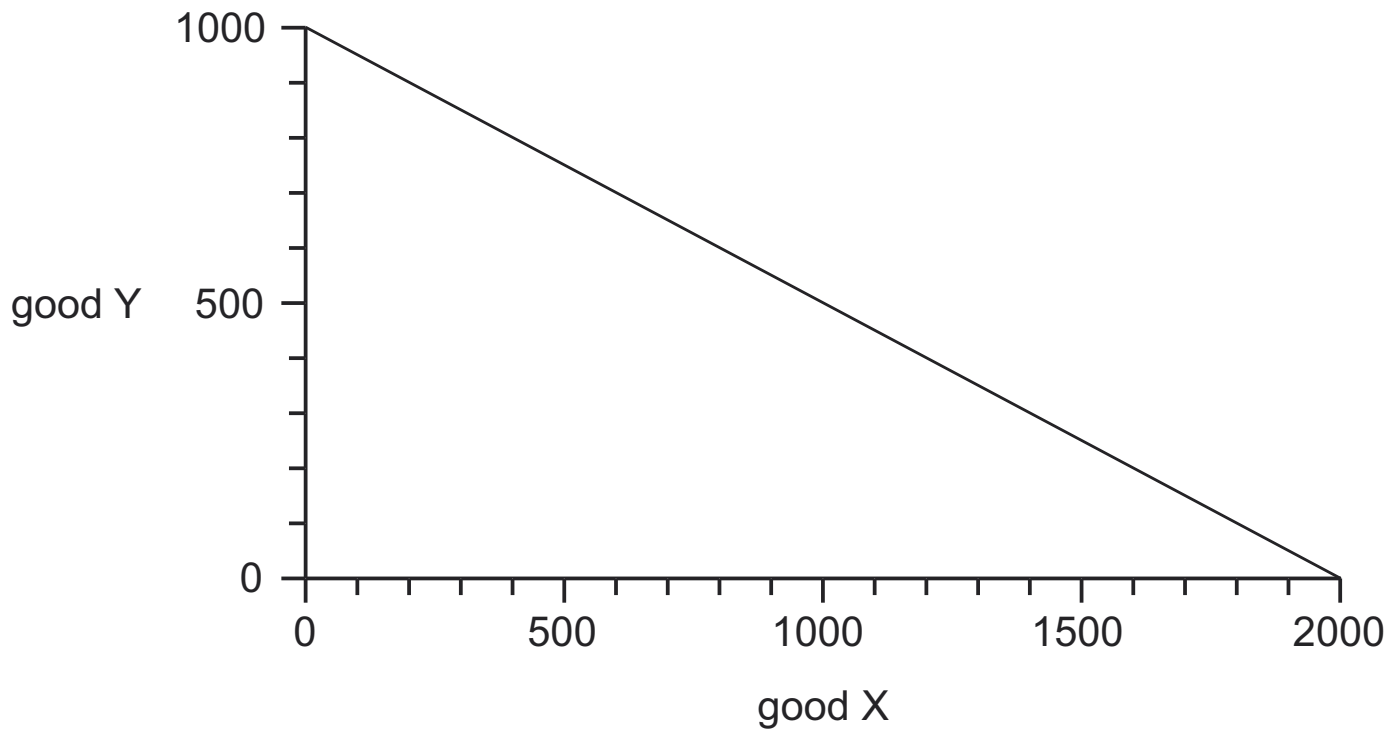
A bus services

B petrol (gas) stations

C streetlights

D toll bridges

2 The diagram shows a production possibility curve for an economy that produces only two goods, X and Y.



The economy produces 800 of good Y and produces on its production possibility curve.

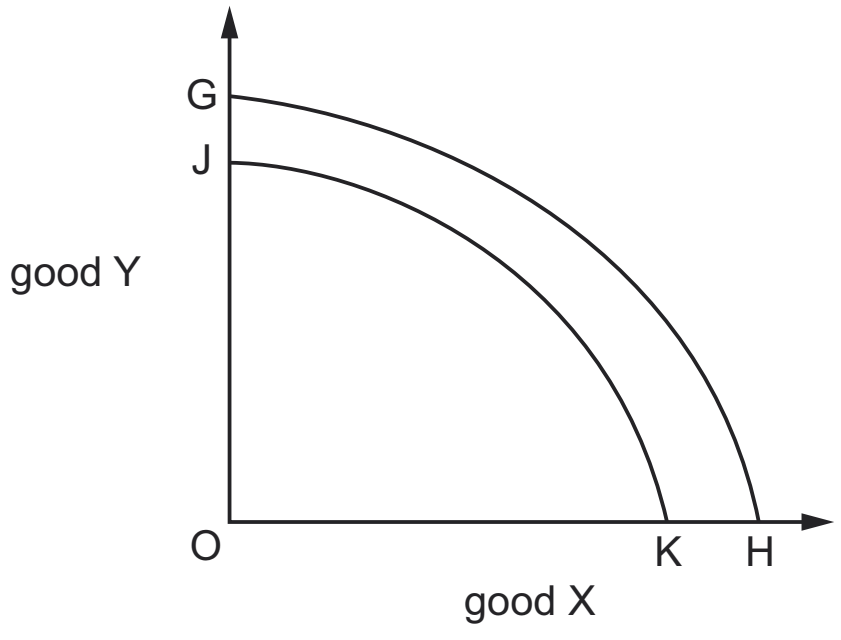
Which quantity of good X is given up?

A 200 **B** 400 **C** 800 **D** 1600

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3 In the diagram, GH is an economy's initial production possibility curve.



What could cause the curve to shift to JK?

A a decrease in net exports

B an increase in the average price level

C an increase in the unemployment rate

D net outward migration

4 Unemployment among young people in Spain was 56.1% in June 2013. Youth unemployment in Spain should be reduced.

Which combination correctly describes these two statements?

	unemployment among young people in Spain was 56.1% in June 2013	youth unemployment in Spain should be reduced
A	normative statement	normative statement
B	normative statement	positive statement
C	positive statement	normative statement
D	positive statement	positive statement

5 A government tried to increase the sales of cars by offering consumers $3000 if they scrapped any car over 10 years old and bought a new one.

How would this be shown on a demand and supply diagram for new cars?

A The demand curve would move to the left.

B The demand curve would move to the right.

C There would be a shift along the demand curve to the left.

D There would be a shift along the demand curve to the right.

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6 Good X and good Y are in joint supply.

When would an increase in the supply of good X **not** lead to a change in the price of good X?

A Good X has a perfect price elasticity of demand.

B Good X has a perfect price inelasticity of demand.

C Good Y has a perfect price elasticity of demand.

D Good Y has a perfect price inelasticity of demand.

7 A businessman had intended to borrow $5000 at an interest rate of 8% per year. When the interest rate rose to 10% he decided to borrow only $4000.

Within what range is his interest elasticity of demand for loans?

A 0.0 to –0.3

B –0.4 to –0.7

C –0.8 to –1.2

D –1.3 to –1.7

8 What is **not** held constant when aggregating individual firms' supply curves to give the short-run market supply curve?

A the number of firms in the industry

B the price of the product

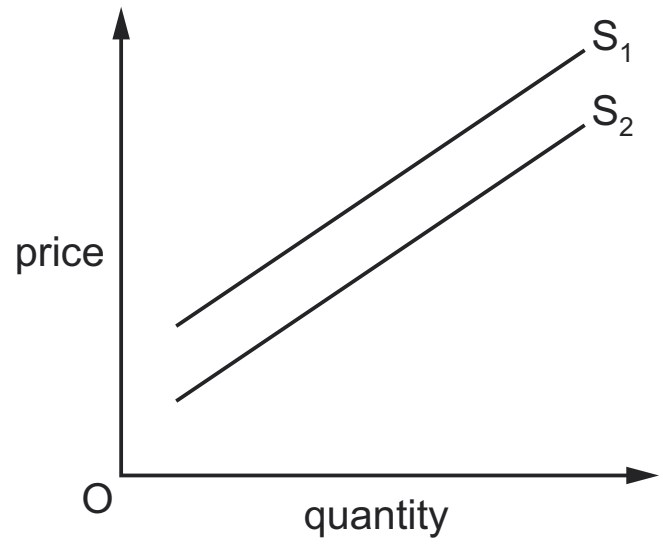
C the prices of factors of production

D the state of technology

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9 In the diagram, S_1 is the initial market supply curve of good X.



What could cause the curve to shift to S_2?

A an increase in the price of a substitute good

B an increase in the profitability of supplying good X

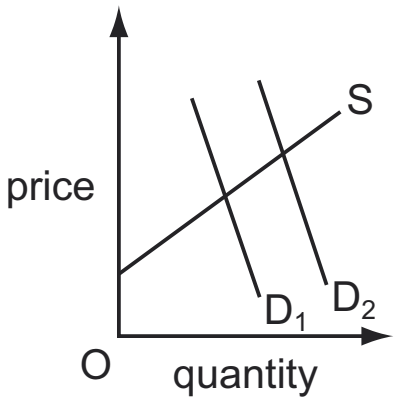
C an increase in the wage rates paid by good X suppliers

D the introduction of a specific tax on good X

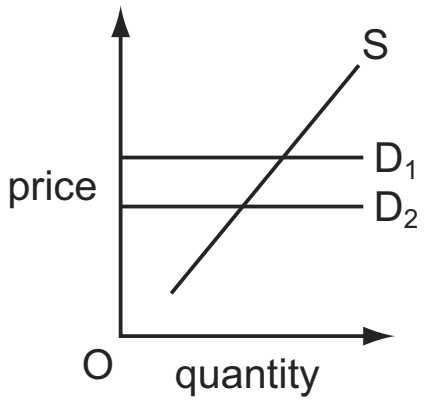
10 A competitive industry producing textbooks experiences an increase in demand for its product.

Which diagram illustrates the effect on the industry of this increase in demand in the short-run?

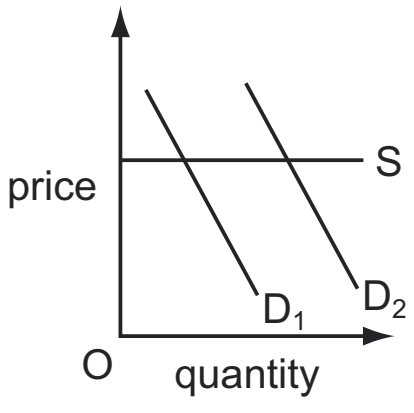
A



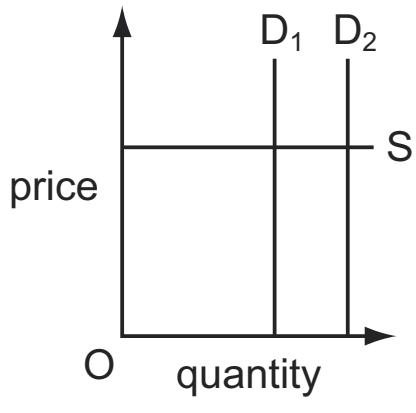
B



C



D



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11 The table shows demand and supply schedules for red peppers. The equilibrium price is initially 15 cents per kilogram (kg).

price per kg cents	amount demanded kg (thousands)	amount supplied kg (thousands)
30	11	22
25	12	19
20	13	17
15	15	15
10	17	13
5	20	11

The government pays a subsidy of 10 cents per kg to producers.

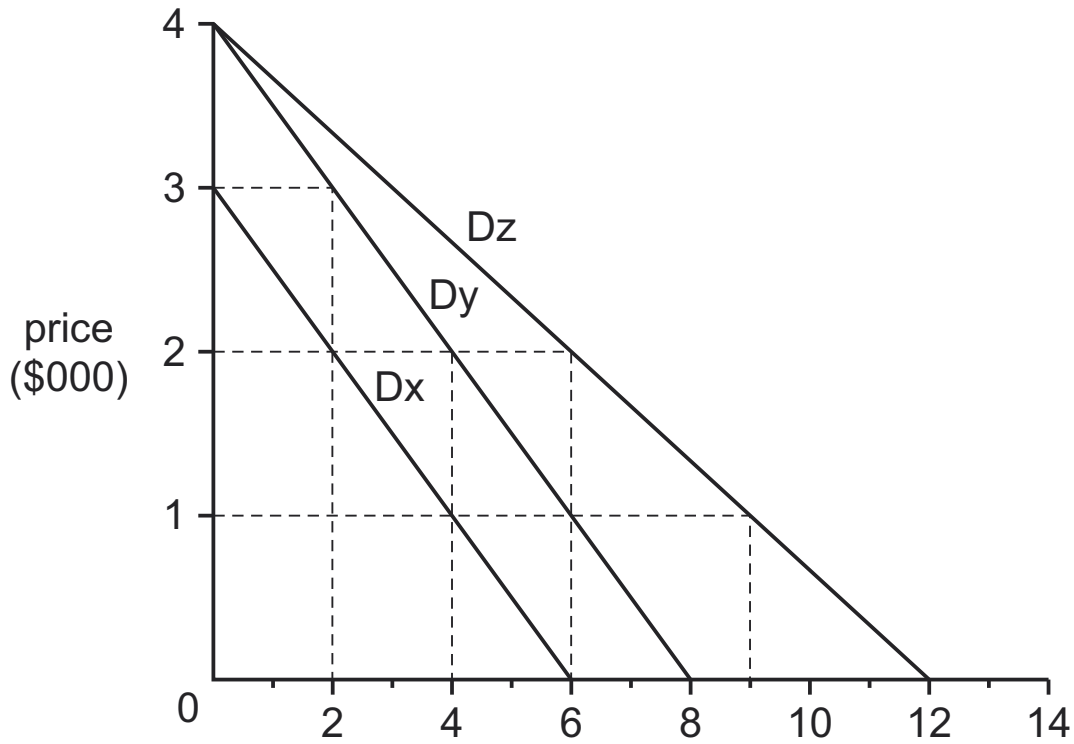
What will be the new equilibrium price?

A 5 cents **B** 10 cents **C** 15 cents **D** 20 cents

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12 An eighteenth century clockmaker made a total of 12 identical clocks. There are currently just three collectors of these clocks, X, Y and Z. The diagram shows their demand curves.



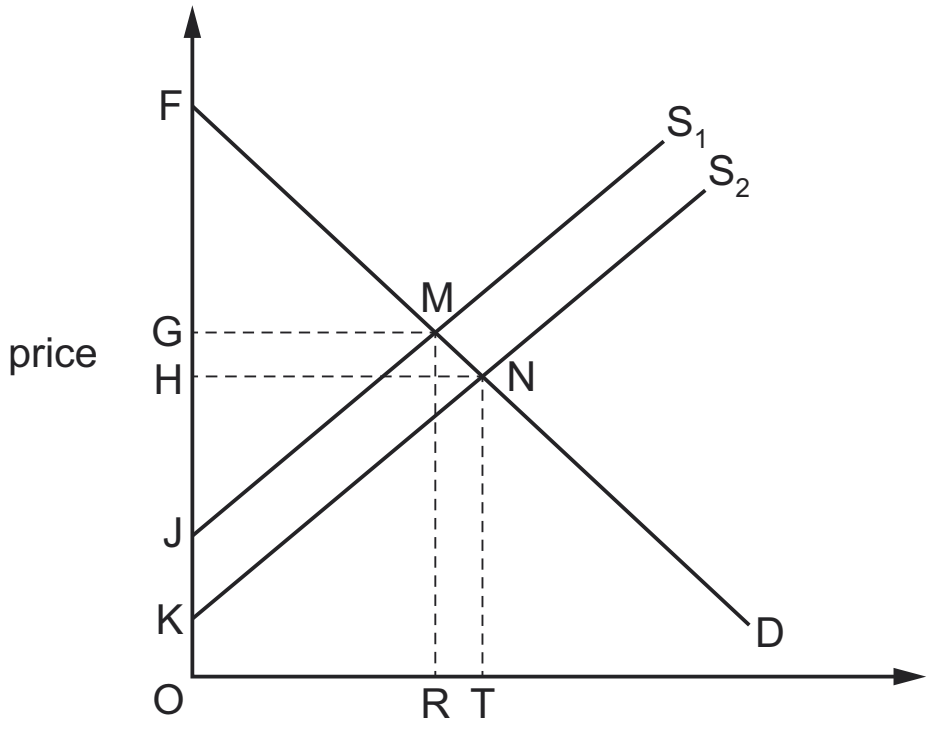
X, Y and Z initially own 4 clocks each. They come together to trade between themselves.

At the market clearing price (or equilibrium price), what is correct?

	buyer(s)	seller(s)
A	X	Y and Z
B	Y and Z	X
C	X	Z
D	Z	X

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13 The diagram shows the European airline market.



New entrants have come into the market, shifting supply from S_1 to S_2.

Which area represents the new producer surplus?

A HNK **B** HNF **C** GMJ **D** KNTO

14 What would be **least** likely to have an external benefit?

A a new drug to prevent malaria in Nigeria

B the granting of permission to develop a rural area in Bangladesh

C the imposition of a quota on fishing in the Atlantic Ocean

D the purchase of tickets to attend the Olympics in Brazil

15 Which statement is correct?

A External cost is the sum of social cost and private cost.

B Private costs are usually larger than social costs.

C Social costs are usually smaller than external costs.

D Social cost is the sum of private cost and external cost.

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16 A government has sufficient funds to pay for two transport projects. It has to choose between four projects, all of which have the same social cost of $200 million. The table shows the benefits from the projects.

	project 1	project 2	project 3	project 4
private benefit ($ million)	100	110	120	150
external benefit ($ million)	120	100	90	80

Which two projects would the government choose?

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4

17 What will make it **most** likely that road tolls will reduce traffic congestion?

A Cross-elasticity of demand between private and public transport is zero.

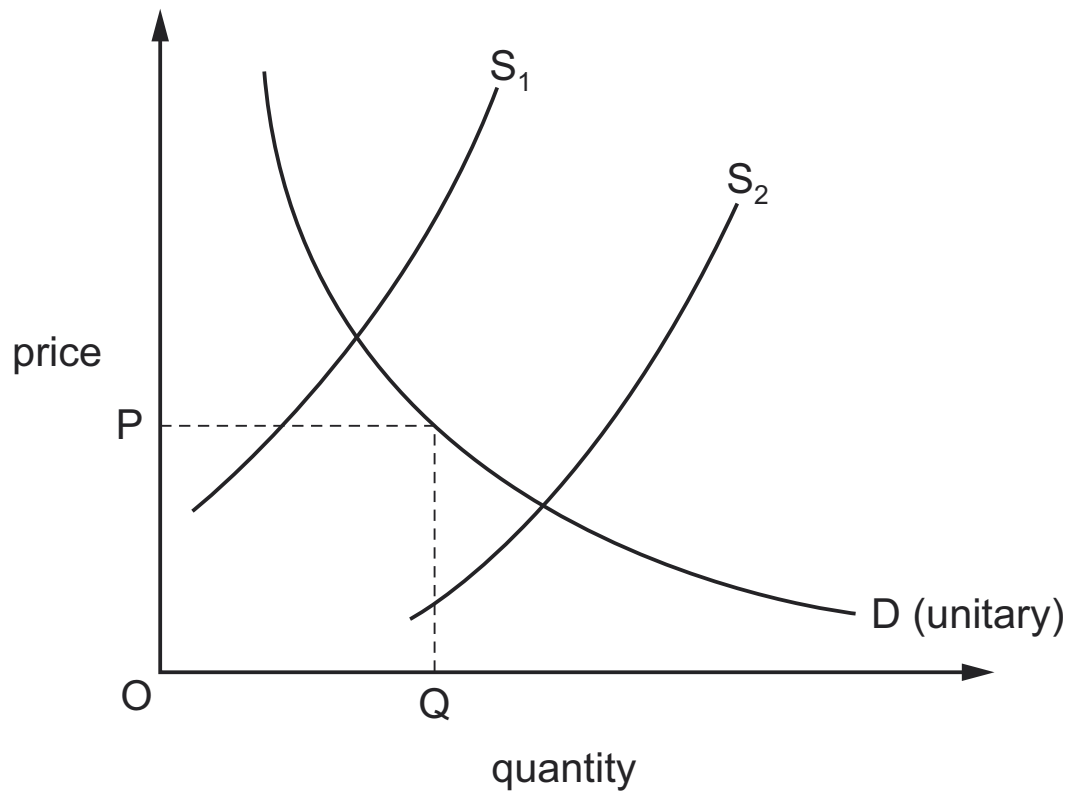
B Demand for car use is income-elastic.

C Demand for car use is price-elastic.

D Supply of public transport is price-inelastic.

18 The diagram shows the demand curve for an agricultural commodity that has unitary elasticity.

S_1 is the supply curve if there is a bad harvest and S_2 is the supply curve if there is a good harvest.



What should the government do to keep the total revenue of farmers the same?

A allow the price of the commodity to be determined by the market

B fix the price paid to farmers at price OP

C introduce a quota on production equal to OQ

D provide subsidies in bad years and impose indirect taxes in good years

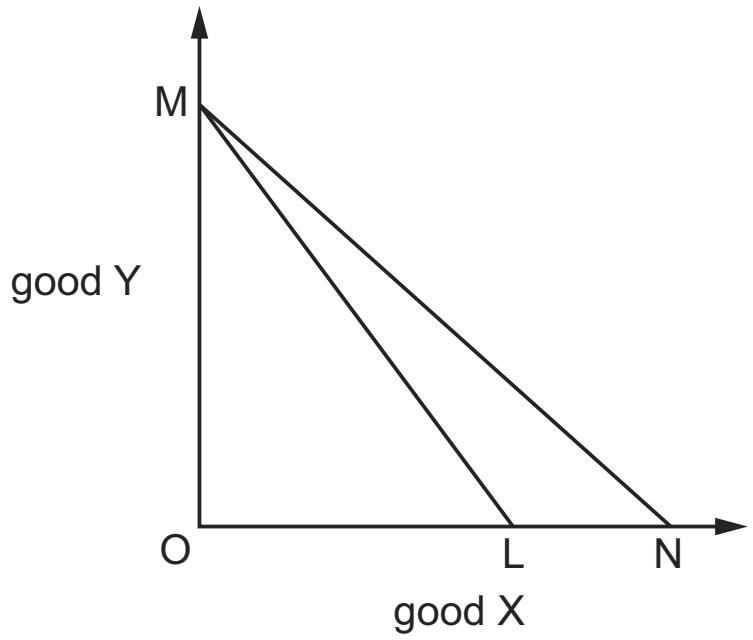
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19 An economy produces two goods, X and Y.

In the diagram, the line ML is the economy's production possibility curve and the line MN its trading possibility curve.



What does the diagram show?

A The economy's consumers prefer good X to good Y.

B The economy's consumers prefer good Y to good X.

C The economy has a comparative advantage in the production of good X.

D The economy has a comparative advantage in the production of good Y.

20 A group of people in a country start a campaign for free trade because they believe that it will benefit the economy.

Which argument in favour of free trade is **not** likely to appear in their campaign?

A It encourages competition between producers in different countries.

B It encourages global specialisation and better product quality.

C It gives consumers a greater choice of products from other countries.

D It lets countries dump cheap surplus products in other countries.

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21 The table refers to a particular country.

year	index of import prices (2010 = 100)	index of export prices (2010 = 100)
2005	48.1	57.0
2015	122.4	120.8

Which statement about the period 2005 to 2015 is correct?

A The balance of payments worsened.

B The balance of trade improved.

C The exchange rate appreciated.

D The terms of trade worsened.

22 A foreign government pays a UK university to educate its students.

How would this be recorded on the balance of payments current account of the UK?

	current account component	money flows
A	current transfers	inflow
B	current transfers	outflow
C	trade in services	inflow
D	trade in services	outflow

23 During a recession, when there was a large fall in national output, the increase in unemployment in an economy was much lower than expected.

What might have accounted for this?

A a decrease in labour productivity

B a decrease in net outward migration

C a decrease in part-time working

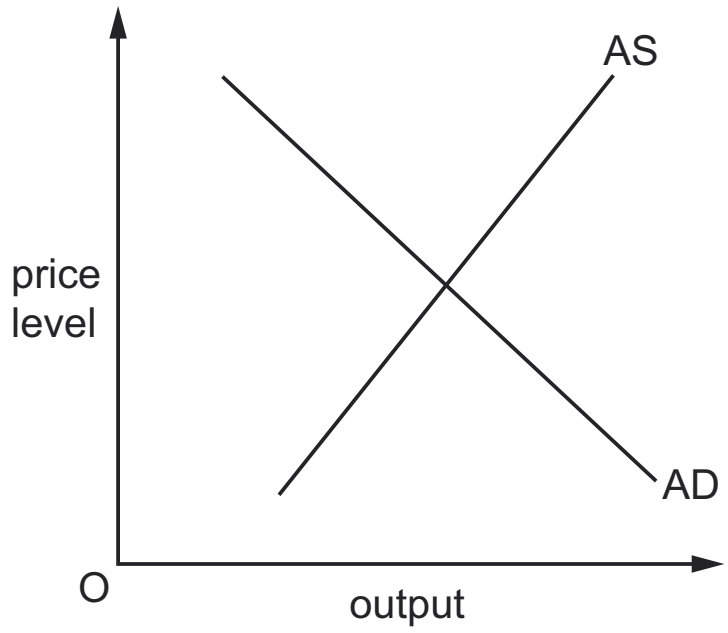
D a decrease in the number of students

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24 The diagram shows an economy's aggregate demand and aggregate supply curves.



How are the curves likely to be affected by a natural disaster that destroys a large proportion of an economy's resources?

	AD curve	AS curve
A	shift to left	shift to left
B	shift to left	shift to right
C	shift to right	shift to left
D	shift to right	shift to right

25 What is the **most** likely cause of cost-push inflation in an economy?

A an increase in the exchange rate

B an increase in the money supply

C an increase in the prices of imports

D an increase in the rate of income tax

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26 The table shows the consumer price index (CPI) for a country.

year	CPI
1	100
2	110
3	105
4	103
5	108

What can be concluded from the table?

A Prices fell continuously from year 2 to year 5.

B Prices rose between year 1 and year 5.

C Prices rose only from year 1 to year 2.

D Prices were at their highest in year 5.

27 A Japanese company builds a factory in the UK to supply both the UK market and the market in the rest of Europe.

What is likely to be the long-run impact on the UK's balance of trade in goods and on its current account balance?

	balance of trade in goods	current account balance
A	improve	improve
B	improve	uncertain
C	worsen	improve
D	worsen	uncertain

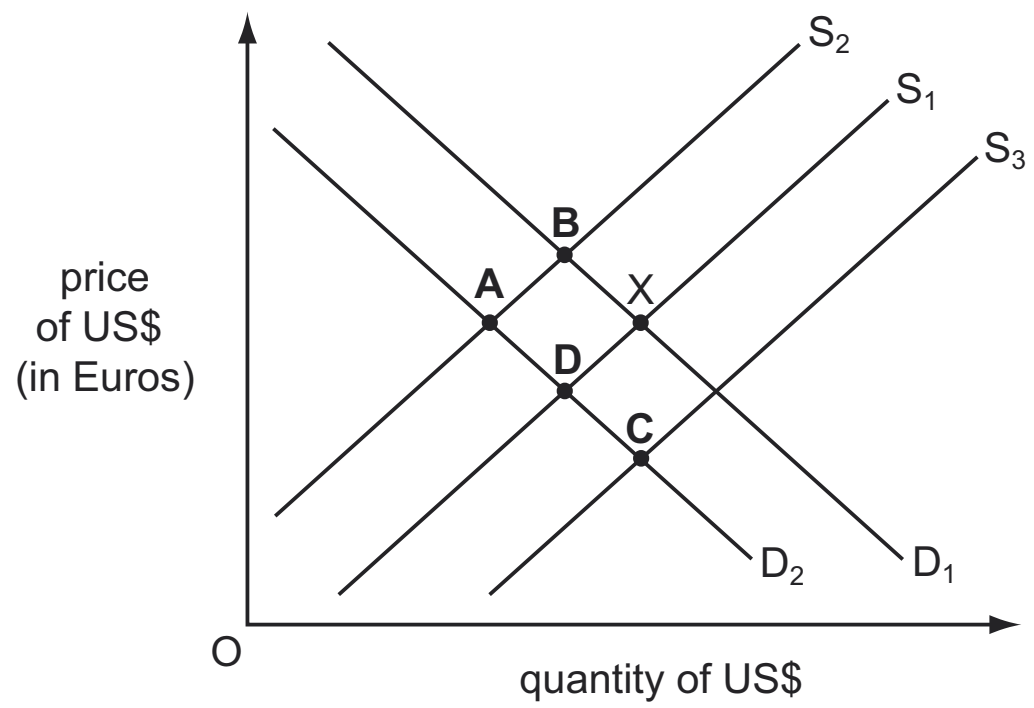
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28 In the diagram, the foreign exchange market is initially in equilibrium at X.

What could be the new equilibrium position after a decrease in demand from US residents for European consumer goods?



29 In the absence of offsetting changes, what would be likely to increase if a country's exchange rate appreciates?

A the cost of imported consumer goods

B the level of domestic inflation

C the rate of unemployment

D the volume of manufacturing exports

30 Tourism is seen as a good way of increasing net export earnings. Luxury tourism, such as wildlife safaris and cultural tours, is considered by an economy to have a very price-inelastic demand.

If this is correct, which is **most** likely to increase export revenue earned by this economy from luxury tourism?

A a depreciation of the economy's currency

B a reduction in the taxes levied on hotels

C an appreciation of the economy's currency

D cheap government loans to increase the construction of hotels

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1 hour

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MODIFIED LANGUAGE

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1 Which question does **not** directly refer to the basic economic problem?

A What goods and services should a firm produce?

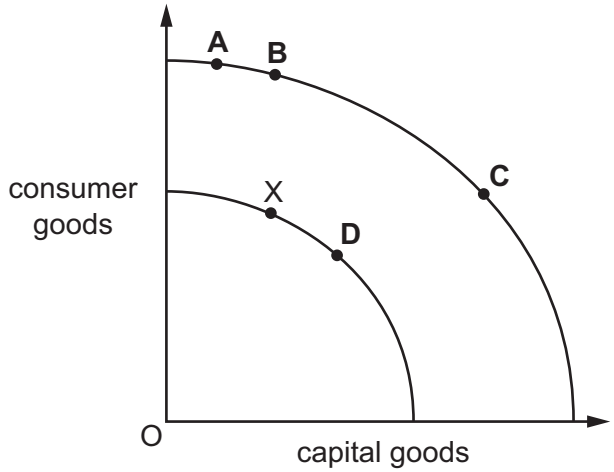
B What price should a firm charge?

C What production methods should a firm use?

D Who should receive the goods and services that a firm produces?

2 The diagram shows the change in an economy's production possibility curve as it grows in the long run.

Which movement from point X is **most** likely to show the highest potential for growth?



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3 The diagrams show the change in a country's production possibility curve between Year 1 and Year 2.



What can be concluded from the diagrams?

A Future growth prospects have been harmed.

B The level of unemployment has fallen.

C The opportunity cost of consumer goods has risen.

D The proportionate growth in production is greater in consumer goods.

4 What term is used by economists for the income received by the factor of production enterprise?

A capital

B interest

C profit

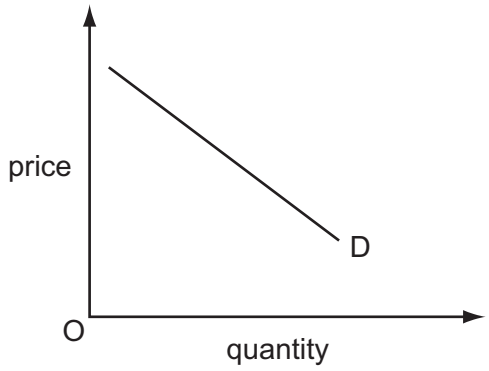
D revenue

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5 The diagram shows the demand curve for housing.



What is **not** assumed to remain constant when drawing this curve?

A consumer incomes

B expectations about future house prices

C the price of houses

D the rate of interest charged on loans for house purchase

6 What does **not** cause the demand curve for cars to shift to the right?

A a fall in the price of petrol (gas)

B a fall in the price of public transport

C an advertising campaign by car manufacturers

D an economy-wide increase in incomes

7 An individual reacts to a 5% increase in the price of good X by increasing the proportion of his income that he spends on good X from 2% to 3%.

If there are no other changes, what can be concluded from this about the individual's demand for good X?

A It is income-elastic.

B It is income-inelastic.

C It is price-elastic.

D It is price-inelastic.

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8 The cross-elasticity of demand for good X with respect to good Y is –0.5.

What can be concluded from this?

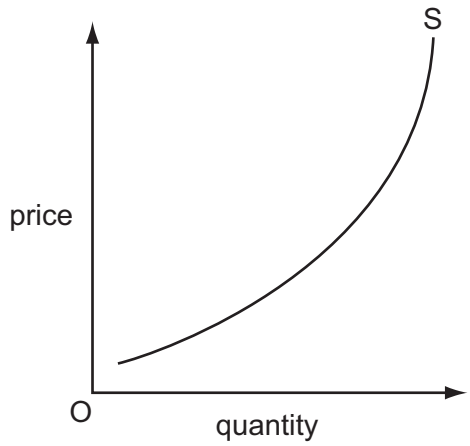
A Goods X and Y are complementary goods.

B Goods X and Y are substitute goods.

C Good X is an inferior good.

D Good Y is an inferior good.

9 The diagram shows a supply curve for beef.



What explains why the supply curve for beef slopes upwards?

A An increase in the demand for beef will bring about an increase in supply.

B Farmers' productivity rises as the price rises.

C Increased production leads to a reduction in costs.

D The cost of additional beef production rises as output increases.

10 Which business is likely to be the slowest to alter its output in response to a sustained increase in demand for its product?

A a fast-food restaurant

B a household cleaning service

C a newspaper printer

D an oil exploration company

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11 In a particular year, 12 000 units of a good are sold at $1 per unit. In a later year, 14 000 units are sold at $1.20 per unit.

If consumer tastes have remained constant, what could account for the change between the two years?

A a decrease in the price of raw materials used by producers

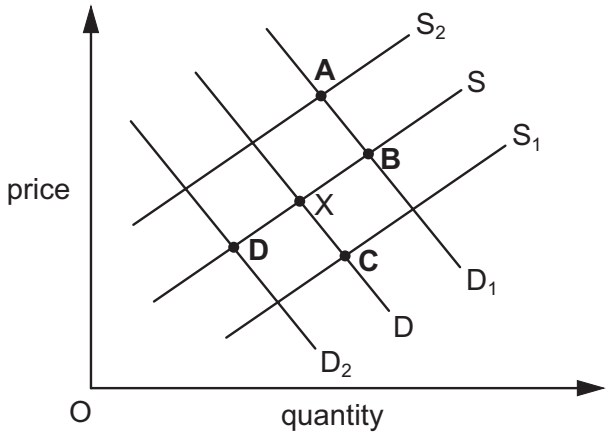
B an increase in the price of a substitute good

C an increase in the rate of tax imposed on producers

D the formation of a monopoly in the production of the good

12 The diagram shows demand and supply curves for petrol (gas). The initial equilibrium is at X.

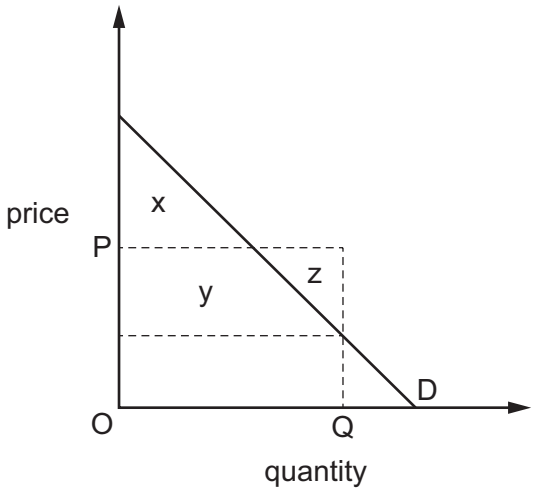
What could be the new equilibrium if there were a large fall in the price of cars?



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13 The diagram shows an individual's demand curve for a commodity.



The supplier of the commodity charges a unit price of OP but consumers are currently required to purchase a minimum quantity, OQ.

Which area(s) in the diagram measure the net gain in consumer surplus from the removal of the minimum purchase requirement?

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

14 In 2011, the Health Ministry in a country encouraged parents to have their children vaccinated against measles. The parents did not have to use the vaccine and did not have to pay for it.

The government cancelled other projects to fund the programme from taxation because research concluded that the vaccine benefited the community by preventing the spread of a serious illness.

Which concepts are implied in the above statement?

A external benefit, public sector, opportunity cost

B market mechanism, fiscal policy, public good

C merit good, normative statement, regulatory control

D private cost, social benefit, monetary policy

15 A gardener plants bamboo to create an attractive environment along the roadside. The bamboo grows into the garden of his neighbour, who removes the bamboo with a chemical spray.

What **cannot** be concluded about the outcome of the planting?

A It increases external cost and external benefit.

B It increases private cost and private benefit.

C It increases social cost and social benefit.

D It increases social cost more than social benefit.

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16 A cost-benefit analysis of a proposed underground railway produced the following statistics.

annual costs and benefits	$ million
annual capital cost	10
operating and maintenance costs	3
fare revenue	6
savings to private travellers	5
savings to business	10
other economic benefits	7

What can be concluded from the statistics?

A If undertaken by the private sector there would be a loss of $13 million.

B If undertaken by the private sector there would be a profit of $3 million.

C If undertaken by the public sector there would be a net social benefit of $15 million.

D If undertaken by the public sector there would be a net social cost of $1 million.

17 What is the best example of what was once a public good becoming a private good?

A education

B medical care

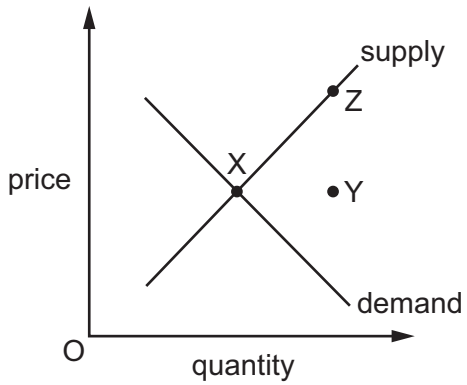
C postal services

D television broadcasts

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18 The diagram shows the market for onions in equilibrium at point X. The government has a stock of onions and wants to establish a new equilibrium at point Y.



Which actions should the government take?

A It should buy an amount equal to XY and subsidise producers by a sum equal to YZ.

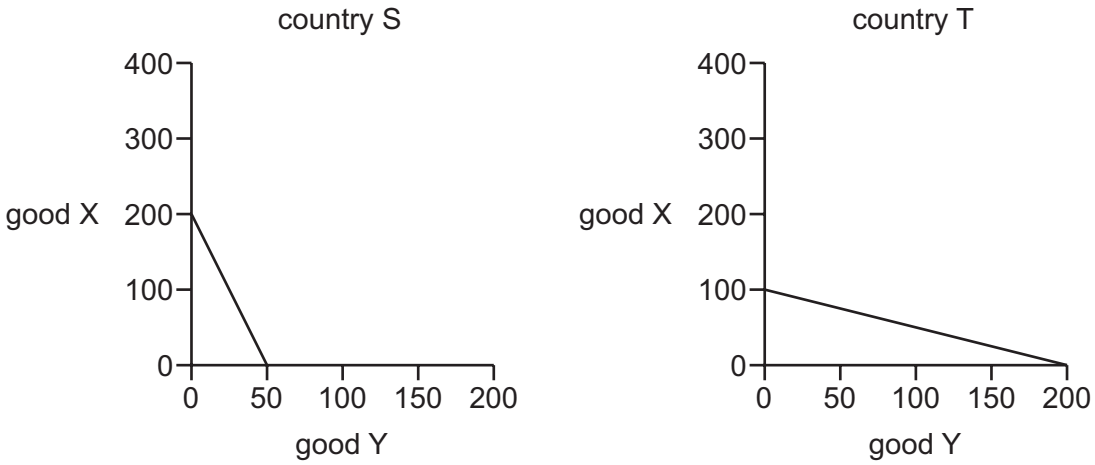
B It should buy an amount equal to XY and tax producers by a sum equal to YZ.

C It should sell an amount equal to XY and subsidise producers by a sum equal to YZ.

D It should sell an amount equal to XY and tax producers by a sum equal to YZ.

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19 The diagram illustrates the production possibility curves for countries S and T producing goods X and Y.



Countries S and T specialise in the product for which they have the lower opportunity cost. They trade with each other at the rate of two good X for one good Y.

What is a possible combination of goods for country S to consume after specialisation and trade have taken place?

	good X	good Y
A	100	50
B	150	75
C	200	100
D	300	150

20 What is the **most** likely reason why Pakistan might reduce its trade barriers on imports?

A to help Pakistan increase its gain from comparative advantage

B to help Pakistan invest more abroad

C to raise its foreign exchange rate

D to reduce government borrowing and international debt

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21 A particular good in the Barbados market could be supplied by domestic producers, or producers in Trinidad & Tobago, or producers in the USA, at the prices shown in US dollars.

origin of production	price
Barbados	$1.00
Trinidad & Tobago	$0.85
USA	$0.75

Originally, Barbados had a 20% ad valorem duty on imports from Trinidad & Tobago and the USA.

Barbados then formed a customs union with Trinidad & Tobago, with a common external tariff, also of 20%.

From which countries would Barbados import the good, before the formation of the customs union and after the formation of the customs union?

	before	after
A	neither	Trinidad & Tobago
B	neither	USA
C	USA	Trinidad & Tobago
D	USA	USA

22 A Japanese car manufacturer established a successful factory in France.

How would this be shown in the Japanese balance of payments?

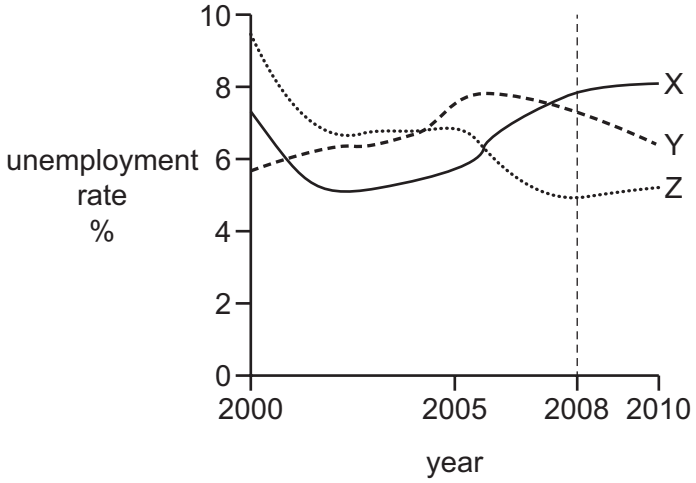
	investment in the factory	dividends and profits from the factory
A	negative entry in the financial account	positive entry in the current account
B	negative entry in the current account	positive entry in the financial account
C	positive entry in the financial account	negative entry in the current account
D	positive entry in the current account	negative entry in the financial account

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23 The graph shows changes in the unemployment rates in countries X, Y and Z over the period 2000 to 2010. All three countries faced recession between 2008 and 2010.



Which conclusion can be drawn from the graph about the period 2000 to 2010?

A All three countries experienced an upward trend in unemployment over the period.

B Country X had the highest number out of work in 2010.

C In terms of unemployment, the country least harmed by the recession was country Y.

D The total number out of work in the three countries was higher in 2010 than in 2000.

24 Which supply-side measure is most likely to produce short-run growth in a country's aggregate supply?

A easing of controls on immigration of workers

B expenditure on primary education

C expenditure on research and development

D privatisation of public utilities

25 An economy is experiencing accelerating cost-push inflation.

Which group is likely to be **least** concerned by this?

A borrowers

B consumers

C creditors

D exporters

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26 The table shows the Consumer Price Index (CPI) for a country.

year	CPI
2008	100
2009	104
2010	102
2011	105
2012	108
2013	111

Which statement about the period 2008 to 2013 is correct?

A Prices increased each year.

B Prices increased fastest in 2011.

C The rate of inflation was 2% in 2010.

D The smallest rise in prices was in 2013.

27 At a time when international demand for oil was high, Bolivia encouraged investment by foreign firms in order to exploit its oil and gas resources.

What overall impact would this have on the balance of payments of Bolivia?

A definitely favourable, as Bolivia could increase its exports of gas and oil

B definitely unfavourable, as the foreign companies would transfer profits out of the country

C uncertain, as there would be inflows and outflows of currency

D zero, as Bolivia itself would use the gas and oil produced

28 An economy with a fixed exchange rate experiences an increased deficit on the current account of the balance of payments.

What is most likely to increase as a consequence?

A employment

B interest rates

C investment

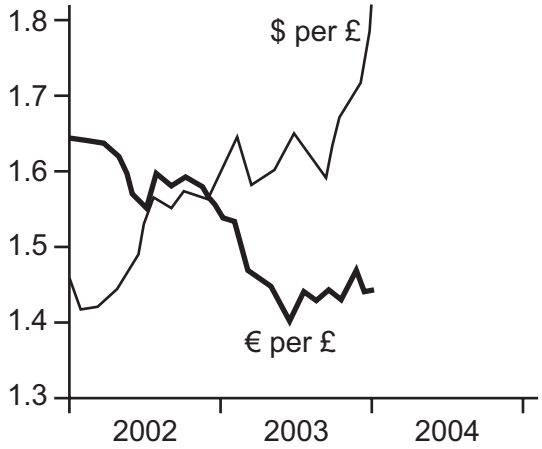
D national output

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29 The diagram shows the number of US dollars ($) and Euros (€) which exchanged for one pound sterling (£) between 2002 and 2004.



What happened to the exchange rate of the $ against the £ and € during this period?

	$ exchange rate against £	$ exchange rate against €
A	appreciated	appreciated
B	appreciated	depreciated
C	depreciated	appreciated
D	depreciated	depreciated

30 In a time of recession, a government decided to sell a loss-making state-owned industry to a foreign private company.

What is the **most** likely immediate result?

A an improvement in the financial account of the balance of payments

B an improvement in the level of unemployment

C an improvement in the rate of inflation

D an improvement in the trade account of the balance of payments

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ECONOMICS **9708/13**

Paper 1 Multiple Choice (Core) **October/November 2015**

1 hour

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

3911365324

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.

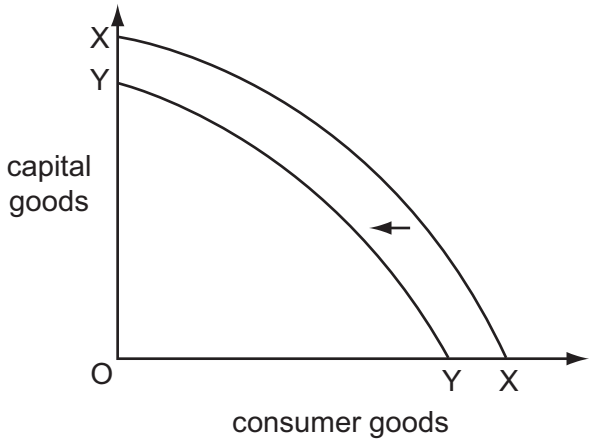
Read the instructions on the Answer Sheet very carefully.

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.

This document consists of **12** printed pages.

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1 A country's production possibility curve moves from XX to YY as shown in the diagram.



What could have caused this movement?

A a rise in technological progress

B a rise in the retirement age

C an increase in investment

D an increase in net emigration

2 What would explain why the transition from a planned economy to a market economy often results in a decrease in national output in the short run?

A an accompanying decrease in inward investment

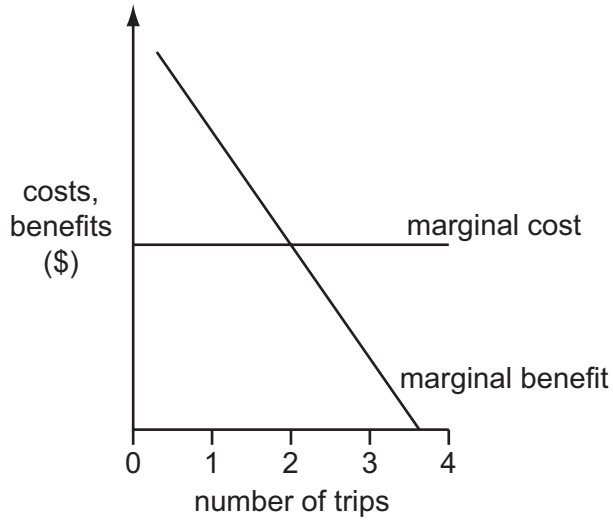
B an accompanying decrease in the wish to save

C an accompanying increase in inward migration

D an accompanying increase in structural unemployment

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3 The diagram shows a person's marginal costs and marginal benefits of making trips to the cinema.



How many trips will the person make?

A None, as each extra trip reduces marginal benefit.

B One, as this maximises the excess of marginal benefit over marginal cost.

C Two, as this maximises the net benefit of making trips.

D Three, as all trips have a positive marginal benefit.

4 A number of changes occur in an economy. Online training is made available to engineers, machinery in food processing is automated, profit taxes are imposed on information technology entrepreneurs and subsidised fertilisers are given to farmers.

Which factor of production is **least** likely to experience rising productivity?

A capital

B enterprise

C labour

D land

5 What is correct about market demand?

A Market demand can increase only when all individuals increase their consumption.

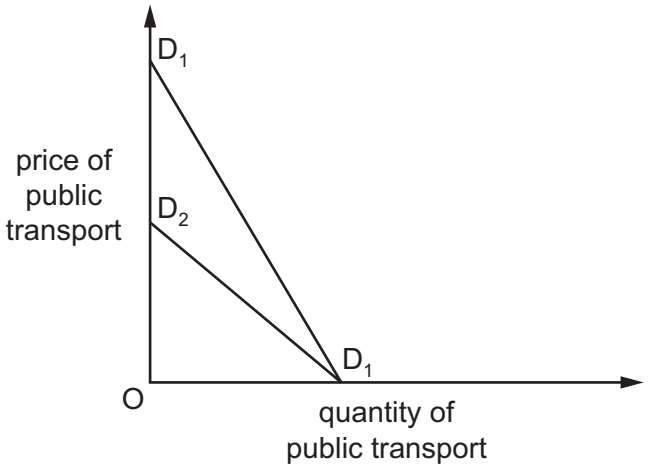
B Market demand for an inferior good falls as price falls.

C Market demand is effective when consumers desire to buy the good.

D Market demand is the result of aggregating the demand of all individuals.

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6 D_1D_1 shows an individual's initial demand curve for public transport.



What would cause the demand curve to shift to D_2D_1?

A The cost of running the individual's car rises.

B The individual is banned from driving.

C The price of public transport rises.

D The quality of public transport declines.

7 A theatre increases the price of its tickets from $5 to $10. As a result, its total receipts increase from $2500 to $4000.

Within what range does the price elasticity of demand for theatre tickets lie?

A 0.2 to 0.5

B 0.6 to 0.75

C 0.8 to 1.0

D 1.2 to 2.5

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8 The table shows how an individual's weekly consumption of biscuits and coffee varies with income.

income ($)	biscuits (packs)	coffee (cups)
100	0	5
150	5	10

Which statement about the income elasticity of demand over the range of income shown is true?

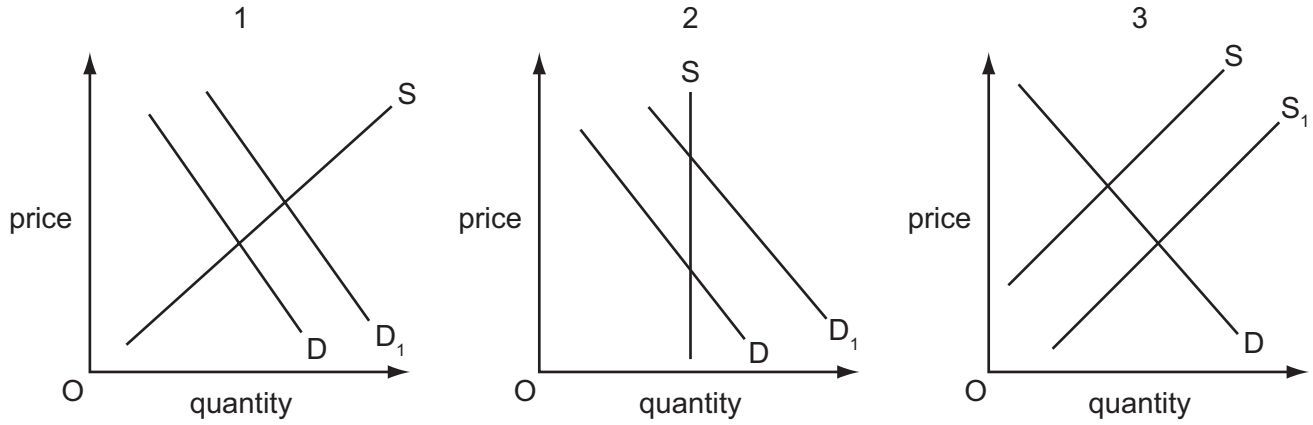
A For biscuits it is greater than 1.

B For biscuits it is zero.

C For coffee it is less than 1.

D For coffee it is unitary.

9 The diagrams show changes in the market for a good.



Which show(s) an increase in the quantity supplied?

A 1 and 2 **B** 2 and 3 **C** 1 only **D** 3 only

10 A product has a high price elasticity of supply.

What might explain this?

A The product has a high opportunity cost.

B The product has a non-perishable nature.

C The product is classed as an inferior good.

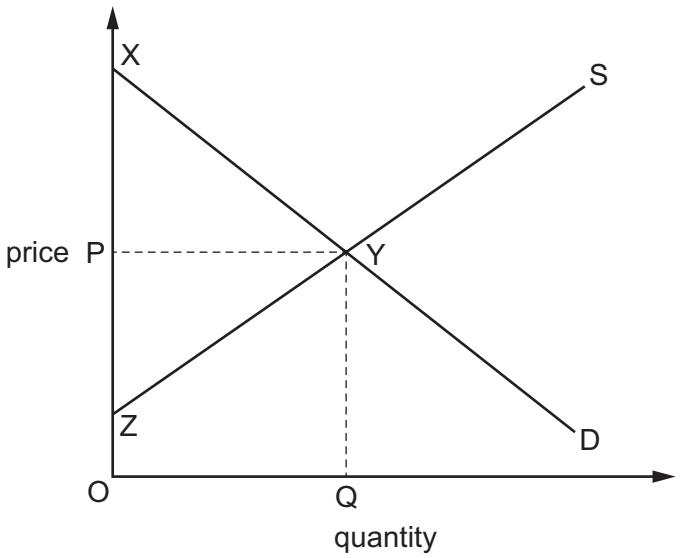
D The product is considered to be a luxury.

11 The market for onions is in equilibrium. A disease strikes the onion crop and new health benefits of consuming onions are discovered.

Which combination of changes in demand and supply matches these events?

	demand	supply
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

12 The diagram shows a competitive market in equilibrium with price P and quantity Q.

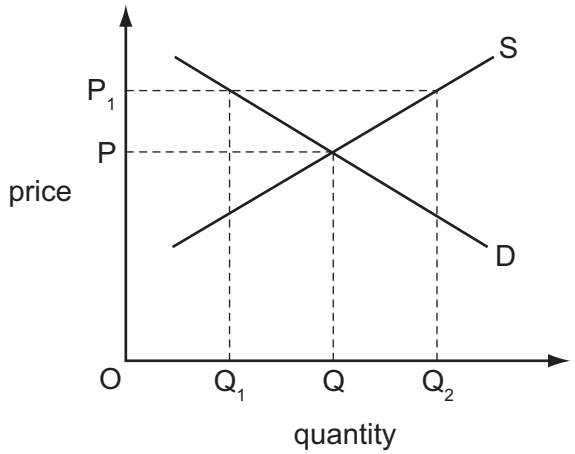


Which area shows the consumer surplus and which area shows the producer surplus?

	consumer surplus	producer surplus
A	OXYQ	OZYQ
B	OXYQ	PYZ
C	XYP	OZYQ
D	XYP	PYZ

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13 The diagram shows the demand and supply curves for a good.



The government fixes a maximum price of OP_1.

What would happen?

A Consumers would have to be rationed to quantity OQ_1.

B The government would have to introduce a subsidy of PP_1.

C The market equilibrium quantity OQ would be demanded and supplied.

D The supply of quantity OQ_2 would be guaranteed.

14 People walking past a bakery often comment on the pleasure of smelling freshly baked bread.

Of what is this an example?

A a negative consumption externality

B a negative production externality

C a positive consumption externality

D a positive production externality

15 When would cost-benefit analysis definitely indicate that a government project should be approved?

A if it eliminated all external costs

B if it gave a higher rate of return than a private sector project

C if it maximised net social benefit

D if it minimised total social cost

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16 The table gives information about the 2011 Australian Grand Prix in Australian dollars (AUD).

	AUD (millions)
costs of operating the Grand Prix	85
revenue from sales of tickets and sponsorship	32
external costs e.g. noise, congestion etc. net of external benefits	4
consumer surplus for those attending the Grand Prix	6

What was the value of the welfare outcome of holding the Australian Grand Prix?

A –AUD 49 million **B** –AUD51 million **C** –AUD53 million **D** –AUD63 million

17 Which statement is correct?

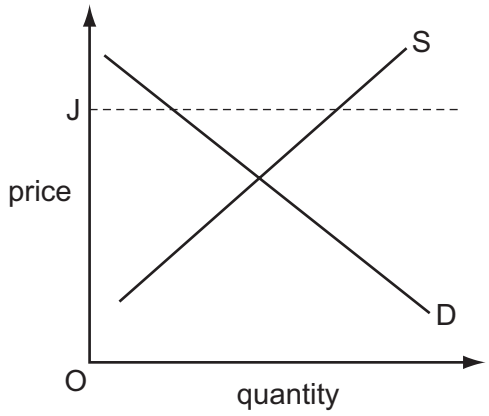
A A demerit good is overconsumed.

B A demerit good produces zero consumer surplus.

C A merit good is defined by its non-excludability and non-rivalry.

D A merit good is provided free of charge.

18 The diagram shows the demand and supply curves of a good.



The government sets a minimum price of OJ for the good.

How will this affect the producers and consumers of the good?

	effect on producers	effect on consumers
A	all producers will gain	consumers will lose
B	all producers will gain	consumers will gain
C	some producers will gain and some will lose	consumers will lose
D	some producers will gain and some will lose	consumers will gain

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19 The table shows the annual production per worker per year in three countries. There are no trade barriers, no transport costs and the countries specialise on the basis of opportunity cost.

product (tonnes)	Southland	Westland	Eastland
yams	100	80	12
wheat	80	70	16
rice	60	60	8

Which country will export which product?

	Southland	Westland	Eastland
A	rice	yams	wheat
B	wheat	rice	yams
C	yams	rice	wheat
D	yams	wheat	rice

20 What may limit the benefits a country derives from engaging in international trade?

A The country is specialised in agricultural production.

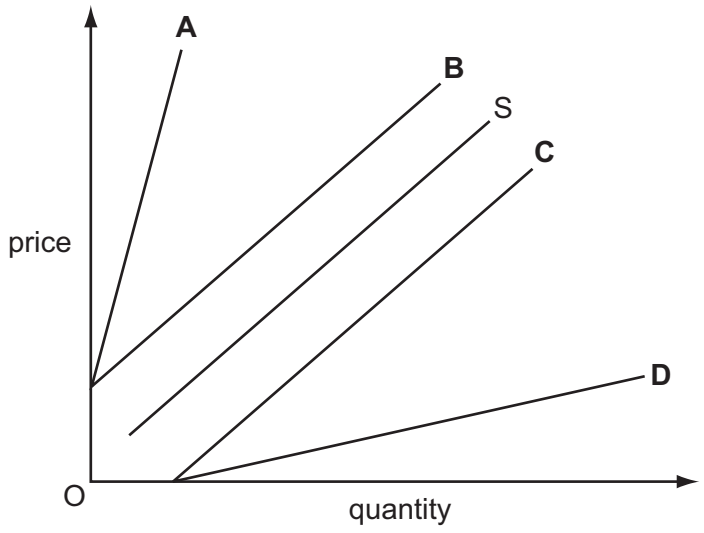
B The country's labour force is highly immobile.

C There are no product areas where the country enjoys an absolute advantage.

D Wage rates are lower in the country's principal competitors.

21 The supply of an imported good is shown by curve S.

What will be the new supply curve if an ad valorem (percentage) tariff is imposed on the good?



22 Trade relations between two countries have gone through four stages.

At which stage was a customs union established?

A The countries removed tariffs on selected goods from each other.

B The countries removed tariffs on all goods from each other.

C The countries set up a common external tariff towards other countries.

D The countries introduced a single currency for use by both countries.

23 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.

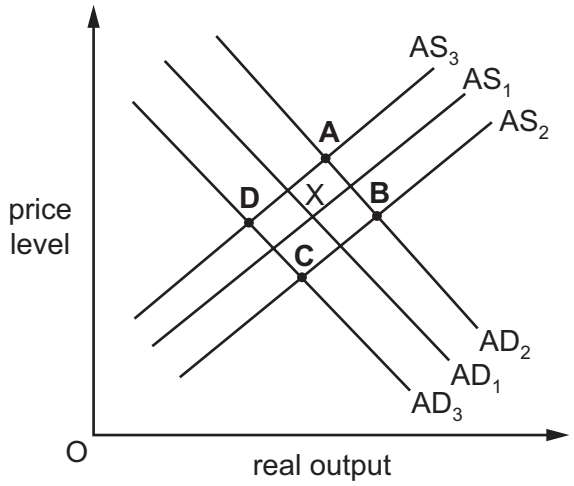
B France had a higher number of unemployed people than the UK.

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

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

24 The diagram shows the original aggregate demand curve, AD_1, and the original aggregate supply curve, AS_1.

What will be the new equilibrium if there is a fall in the country's exports and an increase in government subsidies to firms?



25 In June 2013, the Governor of the Bank of Namibia announced that the Central Bank's lending rate would remain low as long as inflation remained low.

What would **not** lead to a risk of inflation?

A increased output in the mining, manufacturing and construction industries

B Namibian dollar depreciation against the currencies of its trading partners

C severe weather problems that harm crop production

D the Namibian Government's policy of increased public expenditure

26 The capital value of a non-interest bearing asset is index-linked.

During a period of inflation, how will its money value and its real value change?

	money value	real value
A	rises	rises
B	rises	stays constant
C	stays constant	falls
D	stays constant	stays constant

27 For many years, Japan had a current account surplus which then became a current account deficit.

What might explain this change?

A Japan has faced deflation.

B Japan has introduced protectionist policies.

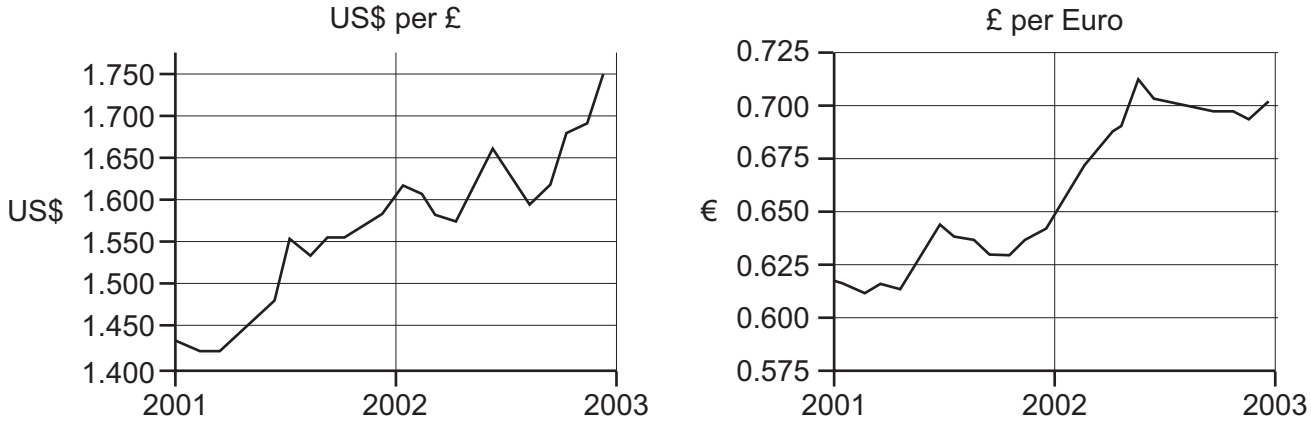
C Japan's currency has depreciated.

D Japanese manufacturing has lost its comparative advantage.

28 What is the likely effect on the volume of exports and imports if a country with a fixed exchange rate experiences a higher rate of inflation than its trading partners?

	exports	imports
A	increase	decrease
B	decrease	increase
C	increase	increase
D	decrease	decrease

29 The graphs show the changes in the exchange rates of the £ sterling against the US$ and the Euro (€) between 2001 and 2003.



What happened to the value of the £ sterling between 2001 and 2003?

A The £ appreciated against the US$ and depreciated against the Euro.

B The £ appreciated against the US$ and the Euro.

C The £ depreciated against the US$ and appreciated against the Euro.

D The £ depreciated against the US$ and the Euro.

30 A government devalues its exchange rate.

What is most likely to be its aim?

A to decrease a current account surplus

B to decrease demand-pull inflation

C to improve the terms of trade

D to increase the level of employment

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