Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/11**

Paper 1 Multiple Choice **October/November 2019**

1 hour

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

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

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1 What is correct for a normative statement?

A It is objective and based on fact.

B It is objective and can be proved correct.

C It is subjective and based on opinion.

D It is subjective and can be reliably tested.

2 What does a production possibility curve show?

A the maximum output that can be produced by a firm in a year

B the maximum output that can be produced per worker per year in the economy

C the maximum output that could be exported from a country

D the maximum output of two or more goods in an economy from a given amount of inputs

3 In Zimbabwe there was hyperinflation.

Which two functions of money might the Zimbabwe dollar be **most** likely to have still performed during this hyperinflation?

A medium of exchange and store of value

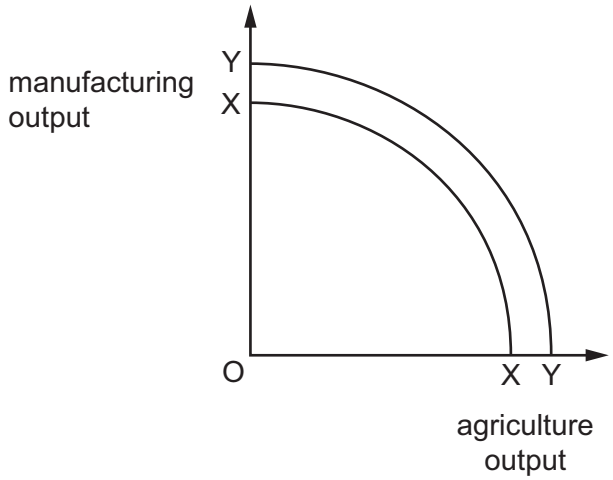
B standard for deferred payments and unit of account

C store of value and standard for deferred payments

D unit of account and medium of exchange

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4 The diagram shows two production possibility curves, XX and YY.



What would cause a movement from XX to YY?

A a decrease in scarce resources

B a decrease in the cost of resources

C an increase in the cost of labour

D an increase in the labour force

5 The table shows the market demand and supply for bananas over a year. At a market price of 8 cents per kg there is disequilibrium in the market.

price of bananas (cents per kg)	total market demand (million tonnes)	total market supply (million tonnes)
4	1000	150
6	800	300
8	600	450
10	400	600
12	200	750

What action would the government have to take to achieve market equilibrium at a price of 8 cents per kg?

A grant a subsidy of 2 cents per kg to producers

B impose a tax of 4 cents per kg on consumers

C purchase the entire supply at 8 cents and sell at 4 cents

D ration consumers to 75 kg each per year

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6 In calculating the short-run supply schedule for a firm, what is assumed to remain unchanged?

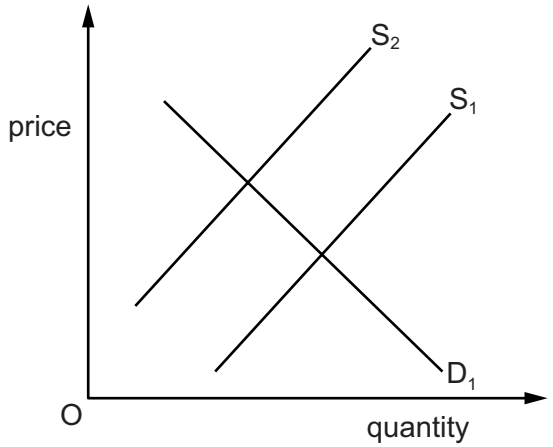
A the number of consumers

B the price of the good

C the quantity of raw material inputs

D the state of technology

7 The graph shows the demand and supply curves for an industry.



What would cause a shift in the supply curve from S_1 to S_2?

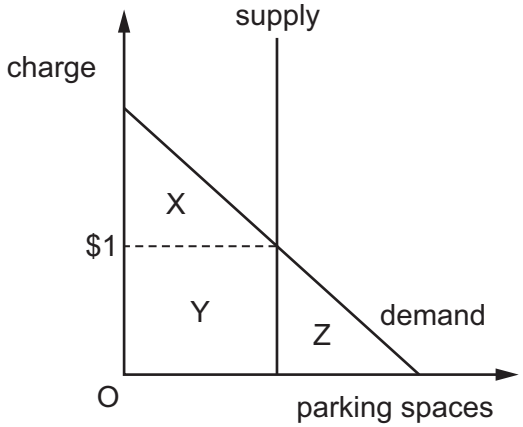
A an increase in the number of firms in the industry

B an increase in the number of workers employed

C an increase in the productivity of the workforce

D an increase in the wage rates paid to workers

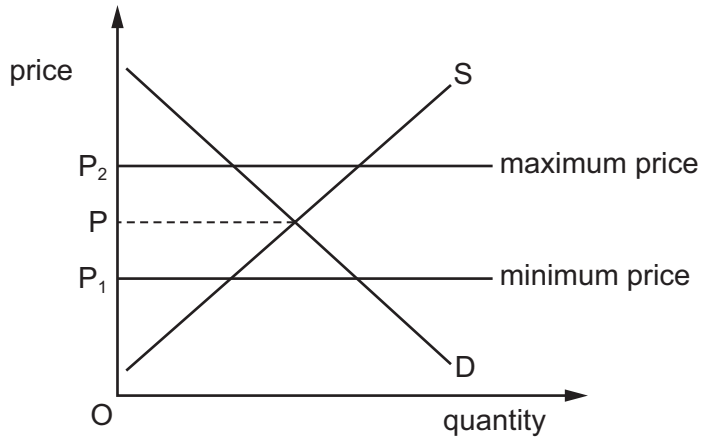
8 The diagram shows the outcome when a landowner, who has allowed motorists to park on his field at no cost, introduces a parking charge of $1.



What is the loss of consumer surplus that results?

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

9 The diagram shows the market for a good.



If the government imposes a minimum price at OP_1 and maximum price at OP_2 what would happen?

A The price will be unchanged at OP.

B The price will fall to OP_1.

C The price will rise to OP_2.

D There will need to be rationing by the government.

10 Two goods, X and Y, have a cross elasticity of demand of +1.8. Good Y has an income elasticity of demand of –0.6.

An increase in both the incomes of consumers and the price of good Y will have which combination of effects?

	quantity demanded of X	quantity demanded of Y
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

11 What is price elasticity of supply?

A the change in the quantity supplied when a price changes

B the change in the quantity supplied when demand changes

C the comparison of the proportionate change in supply to the proportionate change in demand

D the comparison of the proportionate change in supply to the proportionate change in price

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12 What does the assumption 'ceteris paribus' mean when economists analyse the way in which the quantity demanded of a good changes?

A Changes in quantity demanded can cause changes in any of the other variables.

B Consumer preferences are always assumed to remain unchanged.

C Only one variable is assumed to change while the others remain the same.

D Several variables change simultaneously.

13 In which situation is the demand for a product said to be price elastic?

A A fall in price increases expenditure on the product.

B A fall in price increases quantity demanded.

C A rise in price increases expenditure on the product.

D A rise in price reduces quantity demanded.

14 Which product is **most** likely to be provided only by the government?

A national defence

B national health

C national museums

D national theatres

15 Which term is given to an income received by an individual for which there is no corresponding contribution to output?

A profit

B revenue

C salary

D transfer payment

16 A government policy favours older people at the expense of younger people.

Which would be **most** likely to correct such an imbalance?

A an increase in expenditure on government-provided pensions

B an increase in government-subsidised training schemes for school-leavers

C an increase in the rate of income tax on earned incomes

D an increase in the rate of interest on savings

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17 A government gives a subsidy to a producer of a product.

What will be the likely effect of this?

A a shift to the left in the demand curve and a rise in equilibrium quantity

B a shift to the left in the supply curve and a rise in equilibrium quantity

C a shift to the right in the demand curve and a fall in equilibrium price

D a shift to the right in the supply curve and a fall in equilibrium price

18 Which is the **most** appropriate reason for the continued government ownership of a natural monopoly?

A The government will guarantee competitive behaviour.

B The government will ignore any losses made by the monopoly.

C The government will maximise profits.

D The government will take account of external benefits.

19 When will the imposition of a tariff by a country on the goods and services of its major trading partners reduce the country's expenditure on imports?

A when the income elasticity of demand for imports is greater than 1

B when the price elasticity of demand for imports is greater than 1

C when the price elasticity of demand for imports is less than 1

D when the price elasticity of supply of imports is greater than 1

20 How will an increase in government spending on infrastructure affect aggregate demand and aggregate supply?

	aggregate demand	aggregate supply
A	decreases	increases
B	increases	decreases
C	increases	increases
D	stays the same	increases

21 The table shows the amount of good X or the amount of good Y that can be produced by country R and country T if each uses all of their resources.

	output of good X	output of good Y
country R	80	100
country T	20	80

What can be concluded from the table?

A Country R has an absolute advantage in producing good Y and a comparative advantage in producing good X.

B Country R has an absolute advantage in producing good X and a comparative advantage in producing good Y.

C Country T has an absolute advantage in producing good X and a comparative advantage in producing good Y.

D Country T has an absolute advantage in producing good Y and a comparative advantage in producing good X.

22 What is **most** likely to lead to a persistent surplus in a country's current account of its balance of payments?

A a low domestic savings rate

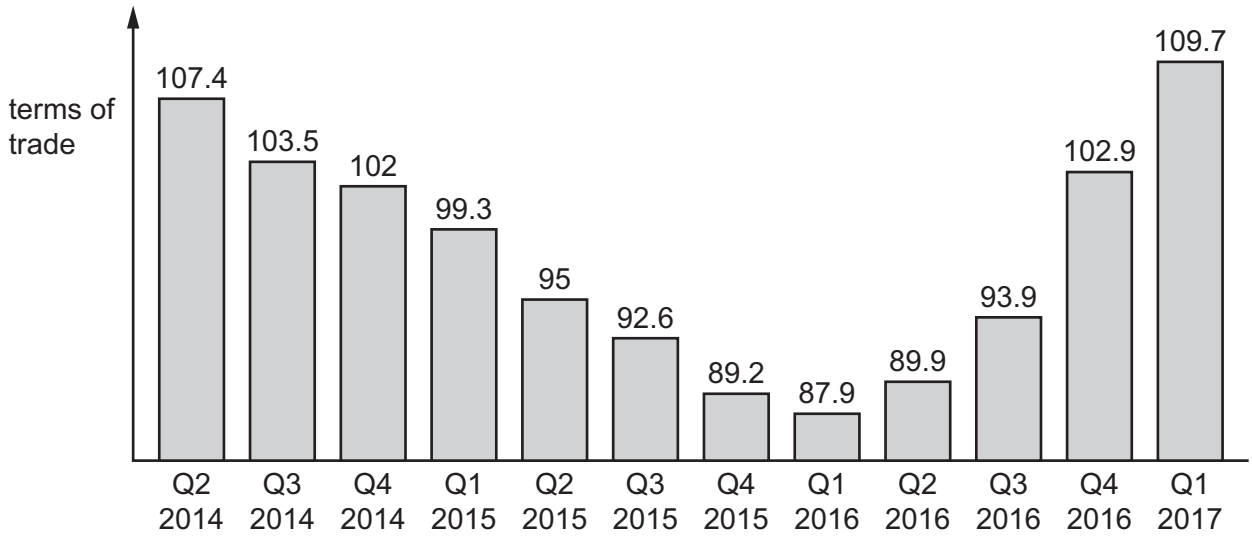
B an undervalued exchange rate

C highly protectionist policies by other countries

D low investment income from abroad

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23 The diagram shows Australia's terms of trade per quarter from Q2, 2014 to Q1, 2017.



In which period did Australia's terms of trade decline and then improve?

A Q2, 2014 to Q4, 2014

B Q1, 2015 to Q3, 2015

C Q4, 2015 to Q2, 2016

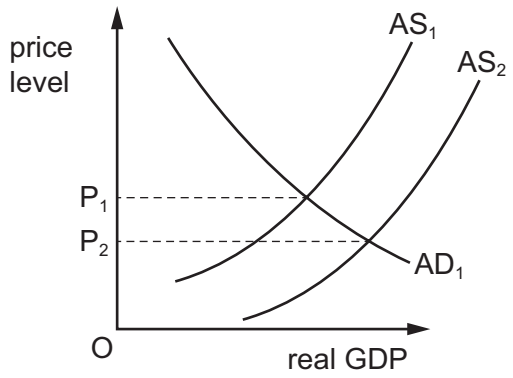
D Q3, 2016 to Q1, 2017

24 The diagrams show a country's aggregate demand (AD_1) and aggregate supply (AS_1) curves.

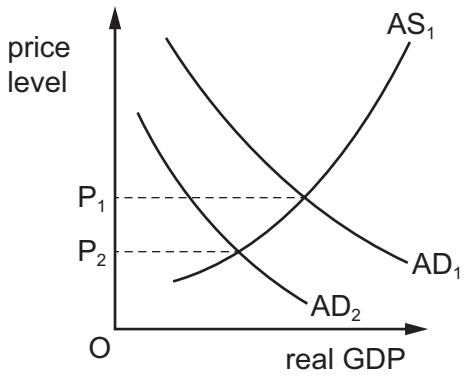
Since the world economic downturn (2007–2008) some governments have reduced labour costs and ensured interest rates remained unchanged.

How would this **most** likely be shown on a diagram?

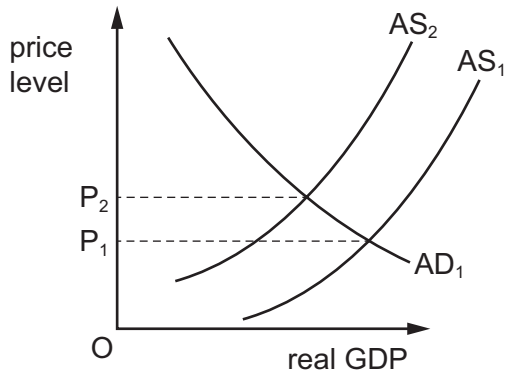
A



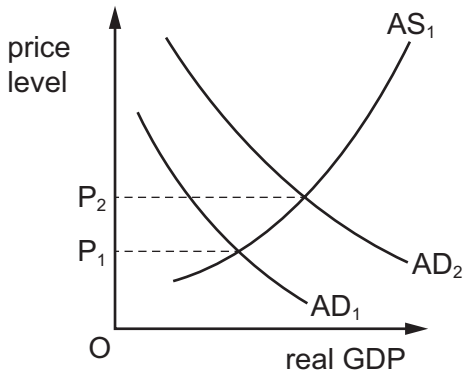
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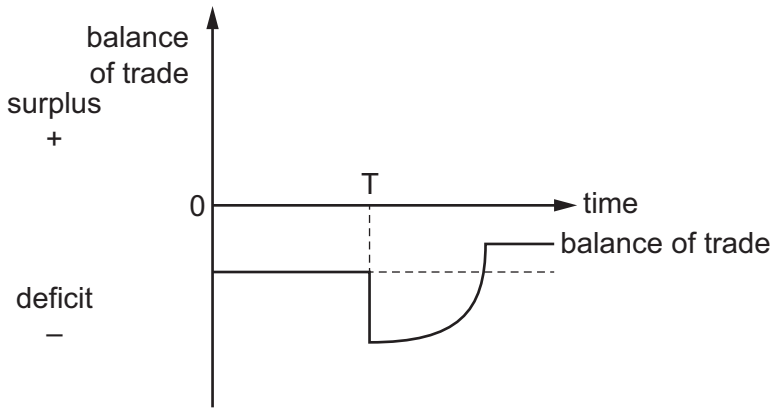
C



D



25 An economy changes its exchange rate at time T.



What does the J-curve diagram show happens at T and after T?

	exchange rate change at time T	Marshall-Lerner condition
A	devaluation	does not apply
B	devaluation	applies
C	revaluation	does not apply
D	revaluation	applies

26 What always happens when there is an increase in the Consumer Price Index?

A an increase in consumer expenditure

B an increase in the cost of living

C a reduction in living standards

D a reduction in real disposable income

27 What would **not** be included in Germany's balance of payments accounts?

A financial investments in Germany by Japanese banks

B foreign aid received by Germany

C the German terms of trade

D the takeover of a German company by a French company

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[Turn over

28 An economy has a balance of payments surplus, which it wishes to eliminate.

In order to achieve this objective, which combination of polices would be **most** appropriate?

A a depreciation of the currency and an increase in government spending

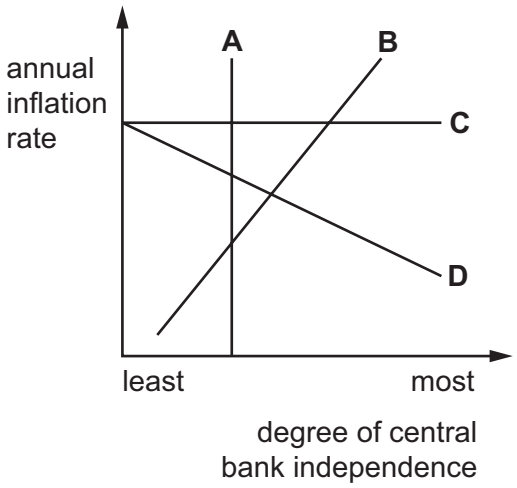
B an appreciation of the currency and a cut in interest rates

C an increase in the money supply and a pay freeze

D increases in both direct and indirect taxation

29 The diagram shows the possible relationships between the degree of independence of the central bank and the level of inflation.

Which relationship suggests that central bank independence is an effective way to reduce inflation?



30 Which change in economic circumstances is **most** likely to lead to a reduction in the rate of domestic inflation in an economy?

A a depreciation in the currency

B a reduction in the productivity of labour

C a world-wide recession

D an increase in direct taxes to finance increased welfare payments

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1 What is correct about scarcity?

A Scarcity affects low income earners only.

B Scarcity forces individuals to make choices.

C Scarcity is removed by periods of falling prices.

D Scarcity will be abolished by advances in technology.

2 Which labels might be used on a production possibility curve diagram?

	Y (vertical) axis	X (horizontal) axis
A	capital input	labour input
B	cost of production	quantity produced
C	output of rice	labour input
D	output of rice	output of sugar

3 A good's defining quality is that its consumption by one person prevents its consumption by someone else.

How is this good classified?

A a free good

B a non-excludable good

C a non-rival good

D a private good

4 Which is a normative economic statement?

A Money is the least liquid form of wealth.

B Some firms are subsidised by the government.

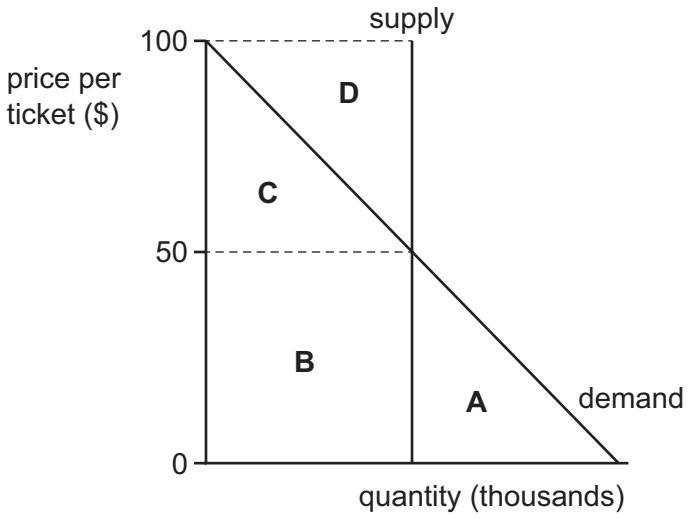
C Some workers earn more than others.

D Taxes are the best way to discourage smoking.

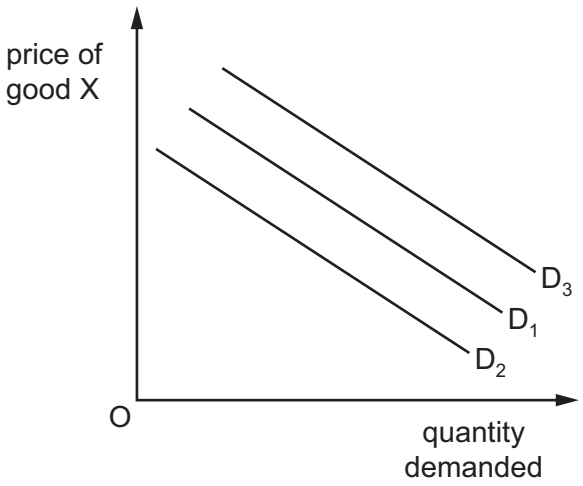
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5 The price of a ticket for an international athletics tournament was $50. All tickets were sold.

Which area on the diagram represents consumer surplus?



6 Market demand curves normally slope downwards. They may also shift from D_1 to either D_2 or D_3.



What would cause a movement along D_1 for good X and **not** a shift to either D_2 or D_3?

A advertising of good X increases sales

B consumer incomes rise

C price of good X falls

D price of other goods falls

7 What is **not** a function of the price mechanism?

A to act as a signal to firms when allocating resources

B to maximise consumer surplus

C to provide an incentive to firms to produce goods

D to ration scarce resources

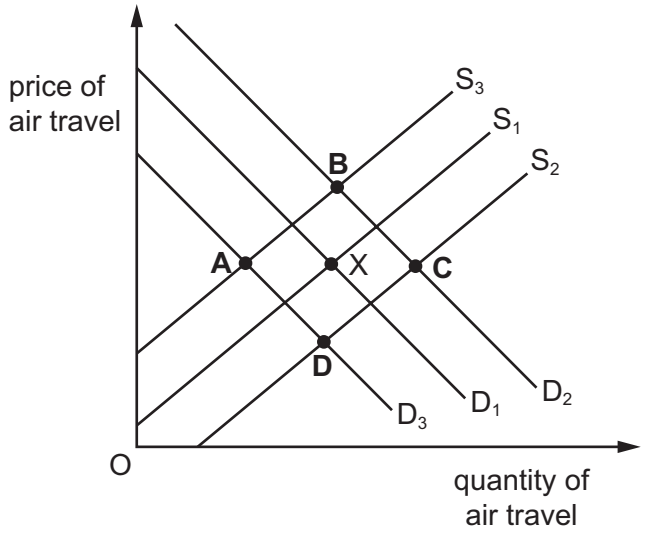
8 A government introduces a maximum price above the market price.

What will be the effect on consumer and producer surplus?

	consumer surplus	producer surplus
A	fall	rise
B	rise	fall
C	rise	unchanged
D	unchanged	unchanged

9 The diagram shows the market for air travel in Asia. The initial market equilibrium is at X.

What will be the new equilibrium if the price of aviation fuel rises and incomes are falling in Asia?



10 A government increased a specific tax on shoes. The resulting increase in the price of shoes was paid mainly by the consumer and not by the producer.

What must be true for this to happen?

A The price elasticity of demand was less than the price elasticity of supply.

B The price elasticity of demand was unitary.

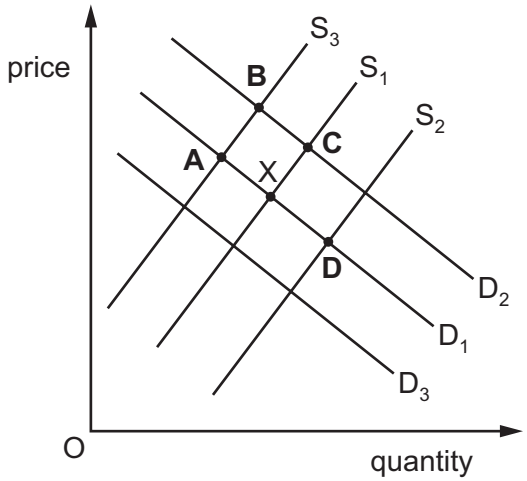
C The price elasticity of supply was less than one.

D The price elasticity of supply was inelastic while the price elasticity of demand was elastic.

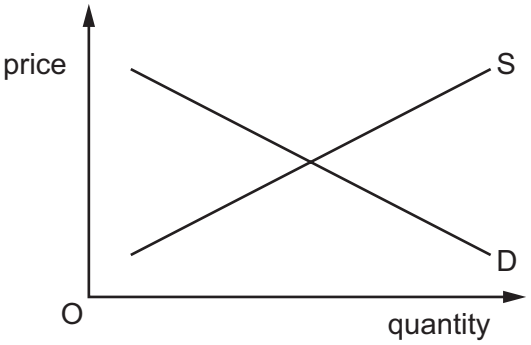
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11 The diagram shows supply and demand for a good. The original equilibrium is X.

What will be the new equilibrium if subsidies are given to firms for new machinery?



12 The diagram shows the market for a normal good.



What is likely to cause both demand and supply curves to shift to the right?

A a fall in the price of the good and a fall in the rate of indirect tax on the good

B a rise in the price of a complementary good and an increase in the number of firms in the industry

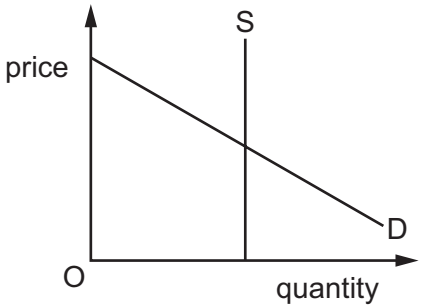
C a rise in the price of a substitute good and a fall in the price of a raw material used in the production of the good

D an improvement in production techniques and a fall in the incomes of consumers

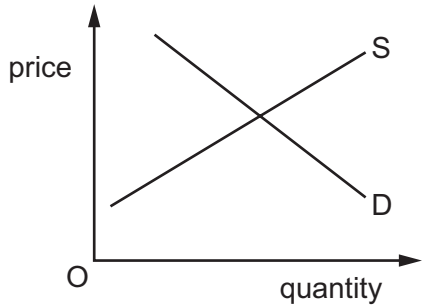
13 The diagrams relate to the markets for four different products.

In which market would a 10% decrease in demand and simultaneously a 10% increase in supply definitely result in both a fall in equilibrium price and a rise in equilibrium quantity?

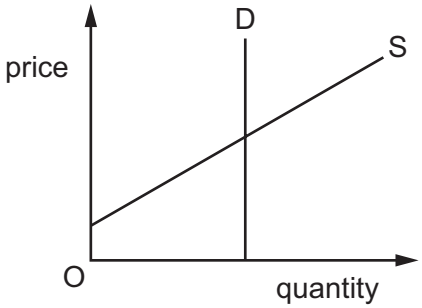
A



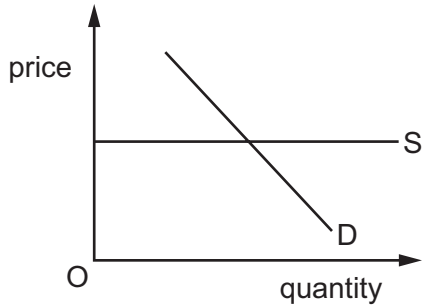
B



C



D



14 Why might governments provide free education for children aged 4 to 16 years old?

A Consumers are not fully aware of the benefits of education.

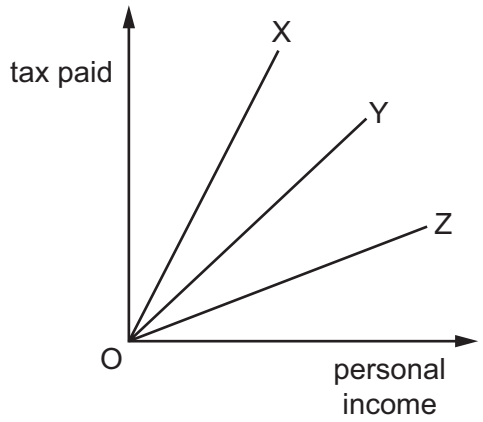
B Education in a free market system would be over consumed.

C Education is a public good and there would be many free riders.

D The private costs of education exceed the private benefits in a free market.

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15 The diagram shows three possible tax schemes.



What can be concluded about these tax schemes?

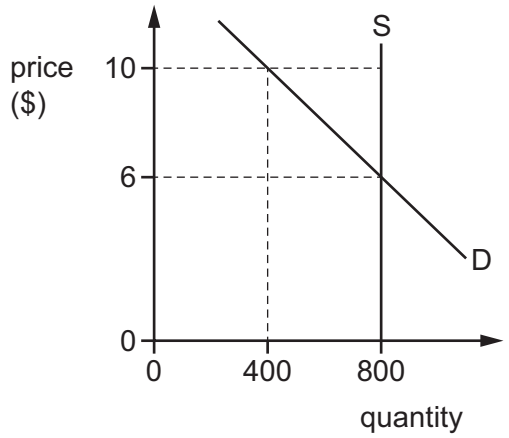
A X is more progressive than Z.

B X, Y and Z are all proportional.

C Y is the only proportional tax.

D Z is more regressive than Y.

16 The diagram shows an initial market equilibrium for an agricultural product of $6 and 800 units.



How much will the government have to spend to increase the market price to $10?

A $1600 **B** $2400 **C** $3200 **D** $4000

17 The table identifies items of government annual spending.

	$ million
army pay	35
civil servants' salaries	125
farming subsidies	15
pension payments	75
welfare benefits	50

What is the total government expenditure on transfer payments?

A $50 m **B** $125 m **C** $175 m **D** $300 m

18 A subsidy is given to the producers of a good with perfectly elastic demand.

What will be the outcome?

A Consumer and producer receive equal amounts of subsidy.

B There will be no change in price; the incidence of the subsidy will fall on the producer.

C There will be a large increase in quantity consumed; the incidence of the subsidy will fall on the consumer.

D There will be no change in the quantity consumed; the incidence of the subsidy will fall on the consumer.

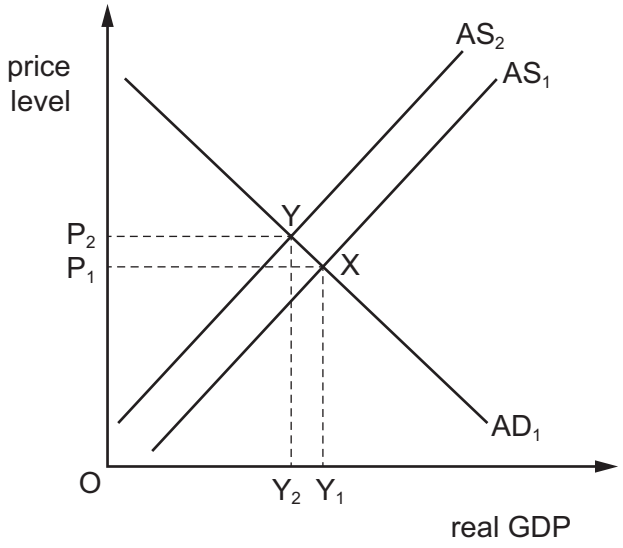
19 'Primary income' and 'secondary income' are components of the current account of the balance of payments.

What do these represent?

	primary income	secondary income
A	capital flows	financial flows
B	goods balance	services balance
C	income flows	current transfers
D	private flows	government flows

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20 The diagram shows the original aggregate demand curve, AD_1, and original aggregate supply curve, AS_1. The original equilibrium is at X.



What would cause the new equilibrium to be at Y?

A an increase in export prices

B an increase in government spending on education

C an increase in import prices

D an increase in the money supply

21 What is **not** an example of protectionism?

A the European Union (EU) requiring goods imported into member states to meet safety standards

B the Pakistan government increasing the rate of goods and services tax, GST, on some exported goods from 2% to 5%

C the Nigeria government banning the import of packaged sugar

D the US imposing a 35% tariff on tyres imported from China

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22 The table shows the annual percentage increases in a country's consumer prices index (CPI).

year	% change
2015	8.3
2016	6.0
2017	6.0
2018	1.0

Which statement is correct?

A Consumer prices, on average, fell throughout the period.

B Consumer prices, on average, remained the same in 2016 and 2017.

C The general level of consumer prices was at its highest in 2015.

D The general level of consumer prices was at its highest in 2018.

23 The table indicates the factor inputs required to produce wheat and cars in countries X and Y.

	units of factor inputs to produce one tonne of wheat	units of factor inputs to produce one car
country X	4	2
country Y	8	6

What makes it possible for both countries to benefit from trade?

A Country X has an absolute advantage in wheat and car production.

B Country Y has an absolute advantage in wheat and car production.

C Country Y has a comparative advantage in wheat production.

D Opportunity cost of wheat and car production is the same between countries.

24 In February 2016 the Organisation for Economic Cooperation and Development (OECD) urged major economies such as the US and Japan to increase government spending.

How would this affect the aggregate demand (AD) curve in these countries?

A a move left along the AD curve

B a move right along the AD curve

C a move to the left of the AD curve

D a move to the right of the AD curve

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25 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	secondary income	inflow
B	secondary income	outflow
C	trade in services	inflow
D	trade in services	outflow

26 The tables show changes over a period in the average prices of a country's exports and imports. They are expressed as index numbers, with year 0 as 100.

index of export prices		
year 0	year 1	year 2
100	115	125

index of import prices		
year 0	year 1	year 2
100	120	125

What is the change in the country's terms of trade index between years 1 and 2?

A It improves by about 10%.

B It improves between 4% and 5%.

C It stays the same.

D It worsens between 4% and 5%.

27 Which aim would be consistent with a government's decision to buy its own currency in foreign exchange markets?

A an appreciation under a freely floating exchange rate system

B an appreciation under a managed float exchange rate system

C a depreciation under a fixed exchange rate system

D a devaluation under a managed float exchange rate system

28 Which policy would assist in reducing a deficit within the balance of payments?

A increasing interest rates

B increasing the money supply

C reducing subsidies to exporting industries

D reducing the level of direct taxation

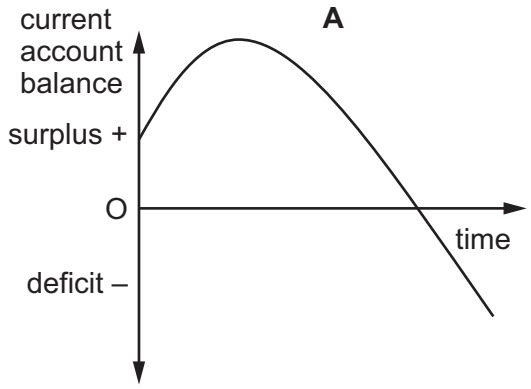
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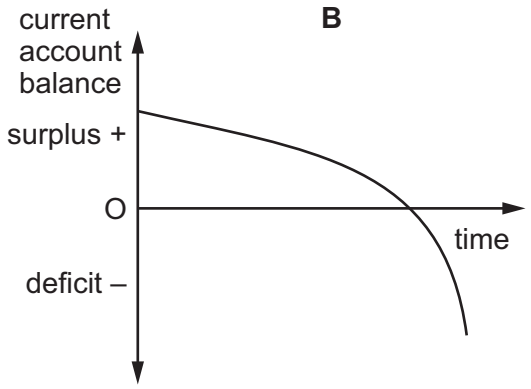
29 An economy's current account on the balance of payments is in surplus. The exchange rate is revalued by the government. Assume the Marshall-Lerner condition holds.

Which diagram shows the impact on the current account balance?

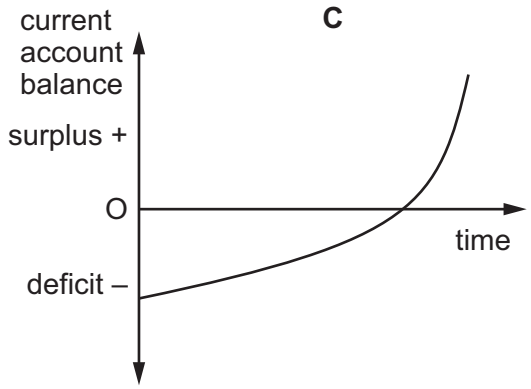
A



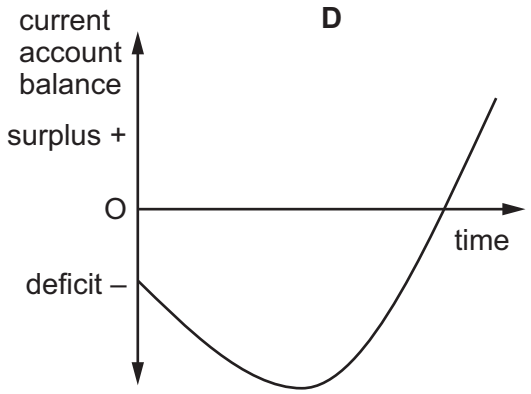
B



C



D



30 What would be increased by an expansionary fiscal policy?

A budget deficit

B exchange rate

C money supply

D rate of direct taxation

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ECONOMICS **9708/13**

Paper 1 Multiple Choice **October/November 2019**

1 hour

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

9814367921

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.

IB19 11_9708_13/5RP
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1 Which is a positive statement?

A A fall in the value of the Chinese yuan against the US dollar will make Chinese goods more price competitive in the USA.

B Direct taxes are the best fiscal instrument to redistribute income in a developed economy.

C The most important macroeconomic objective of the government is to reduce unemployment.

D The UK government should not renationalise the railway infrastructure.

2 Which is closest to being a public good?

A electricity

B health services

C street lighting

D water supply

3 An individual has an appointment with his dentist.

He has a choice between travelling to the appointment by car, or leaving the car at home and travelling by bus and then by train. The costs of the journey are given below.

	$
bus fare	2
train fare	3
car parking charge	4
petrol	2
car wear and tear costs	1

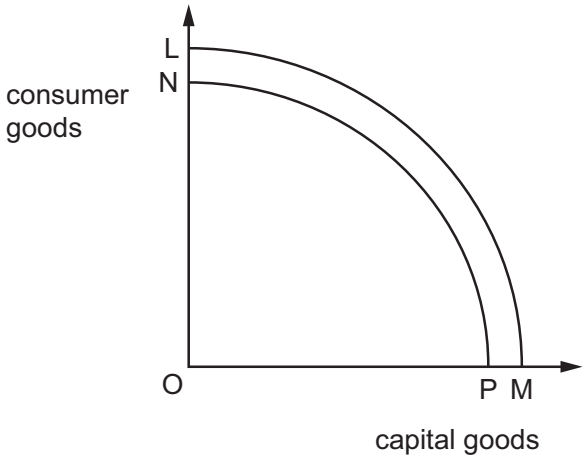
Given this information, what is the opportunity cost to the individual of travelling by car rather than by bus and train?

A $2 **B** $4 **C** $7 **D** $12

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4 In the diagram the original production possibility curve is LM.



What could cause the curve to shift to NP?

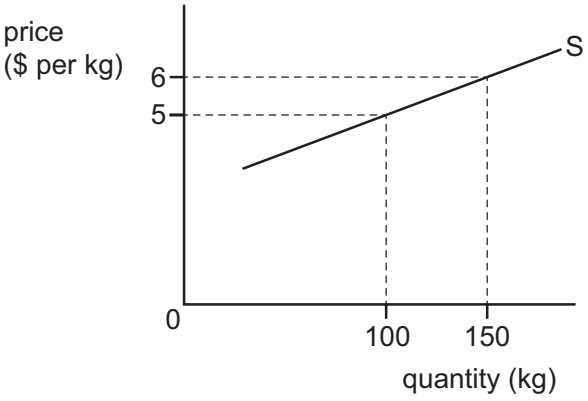
A a fall in the working population

B a reallocation of resources from consumer goods to capital goods

C an increase in output per worker

D an increase in unemployment

5 The diagram shows the supply curve for bananas.



What is the price elasticity of supply when there is a rise in price from $5 to $6?

A –2.5 **B** +0.4 **C** +2 **D** +2.5

6 What causes an inelastic market supply curve for an agricultural crop such as wheat?

A a government decision to import crops at times of shortage

B an efficient use of fertilisers causing crop production to rise

C the storage of excess production for future sale

D the very long time required to produce additional output

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7 Travellers can cross the English Channel either by the Channel Tunnel or by a sea journey.

The table gives details of the passengers, in thousands, using these services between 2005 and 2015.

Between 2005 and 2015 the price of the Channel Tunnel fell and the price of sea journeys rose.

year	Channel Tunnel passengers	sea journey passengers
2005	17 005	23 693
2010	18 303	21 883
2015	20 864	21 000

What does the data suggest?

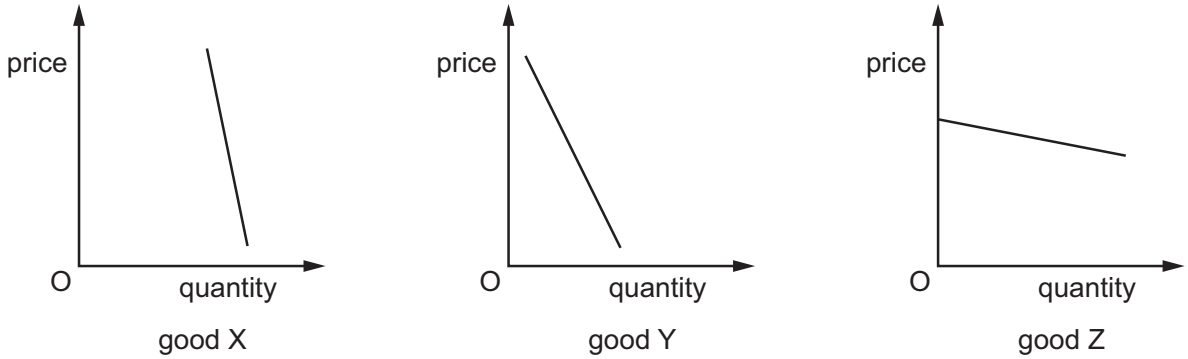
A The cross elasticity of demand between the two services is positive.

B The market for crossing the English Channel grew continuously over the period.

C The rate of decline in sea journeys accelerated over the period.

D The two services for crossing the English Channel are complementary.

8 The diagrams represent the demand curves for three goods X, Y and Z. They are drawn to the same scale and can be used to represent the price elasticity of each good. The three goods are lamb only, all meat and all food.



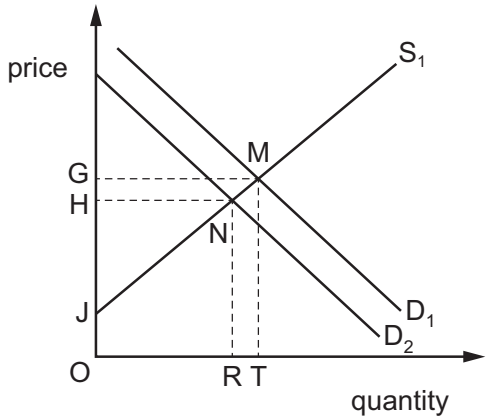
Which combination of goods is likely to represent lamb only, all meat and all food?

	good X	good Y	good Z
A	food	meat	lamb
B	lamb	meat	food
C	lamb	food	meat
D	meat	lamb	food

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9 The diagram shows the European market for diesel fuel and the original equilibrium is at M.



Europeans want low-emission cars and therefore the demand for diesel fuel has decreased from D_1 to D_2.

Which area represents the new producer surplus for companies supplying diesel fuel?

A GMNH **B** JGM **C** JHN **D** JNR

10 A US study, published in July 2014, warned teenagers to reduce the amount of fizzy drink they consume. One can of fizzy drink contains an adult's entire daily sugar allowance.

If the advice were accepted, how might the effect be illustrated on demand and supply diagrams for fizzy drinks and for sugar?

	diagram for fizzy drinks	diagram for sugar
A	demand curve moves to the left	movement up the supply curve
B	demand curve moves to the left	movement down the supply curve
C	movement up the demand curve	supply curve moves to the right
D	movement up the demand curve	supply curve moves to the left

11 A government decides to put a tax on a good.

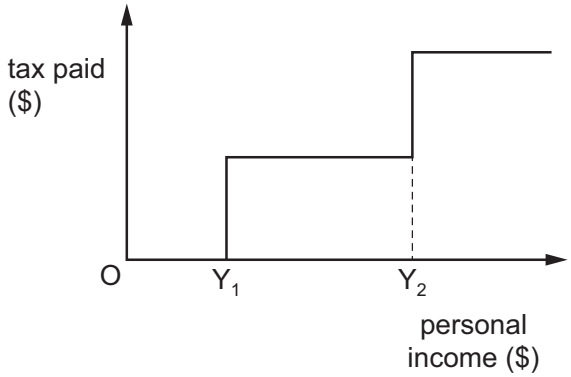
Which price elasticity conditions would result in most of the tax being paid by the consumer?

	demand elasticity	supply elasticity
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	inelastic

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12 The diagram shows the income tax system adopted by a country.



What are the average and marginal rates of tax as incomes rise from Y_1 towards Y_2?

	average rate of tax	marginal rate of tax
A	constant	constant
B	constant	decreasing
C	decreasing	constant
D	decreasing	decreasing

13 What is **most** likely to decrease if the government pays a subsidy to the producers of a product?

A government spending

B output of the product

C price of the product

D rates of taxation

14 The government introduces a new transfer payment, to help people on low incomes afford housing.

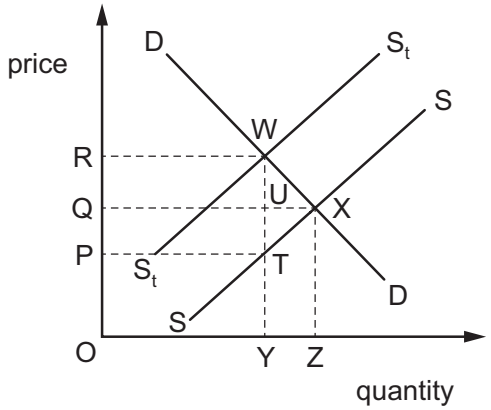
What will be the effects of this in the housing market?

	effect on the demand curve	effect on the supply curve
A	a movement along demand	a movement along supply
B	a movement along demand	a shift in supply
C	a shift in demand	a shift in supply
D	a shift in demand	a movement along supply

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15 A specific tax is placed upon each bottle of perfume sold. In the diagram, SS is the supply curve before tax, S_tS_t is the supply curve after tax.



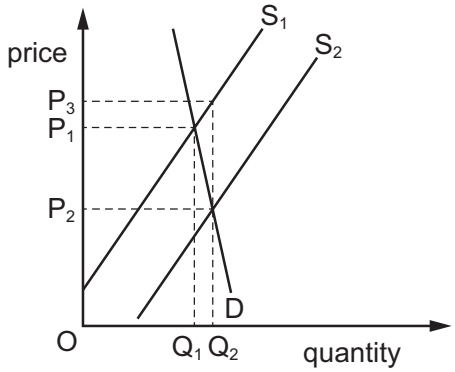
Which area represents that part of the tax revenue paid by producers?

A ORWY **B** PQUT **C** PRWT **D** QRWU

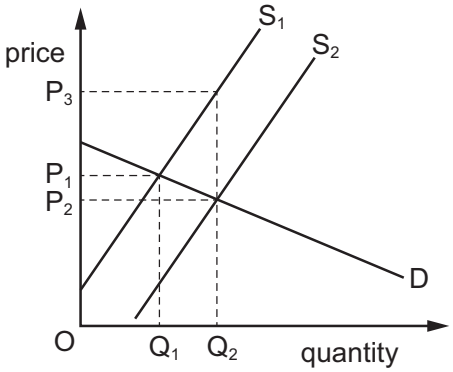
16 In each diagram the initial supply is S_1 and the new supply after subsidy is S_2. The subsidy is identical in each case.

Which diagram shows the greatest incidence of the subsidy on the consumers?

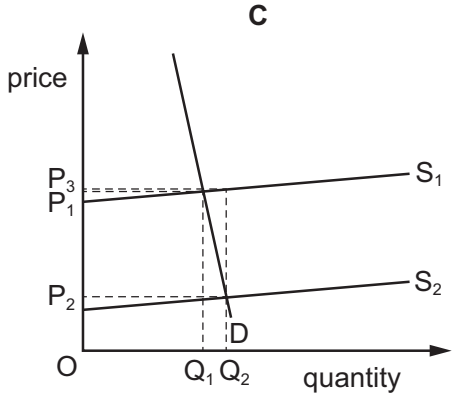
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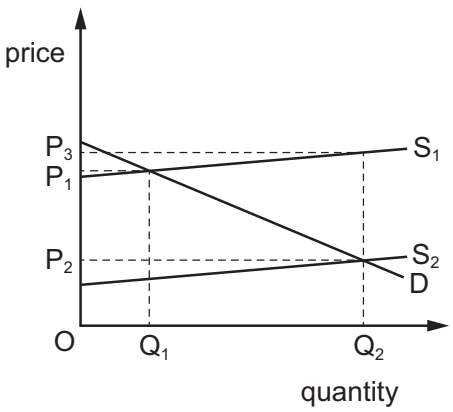
B



C



D



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17 Which statement is **not** correct?

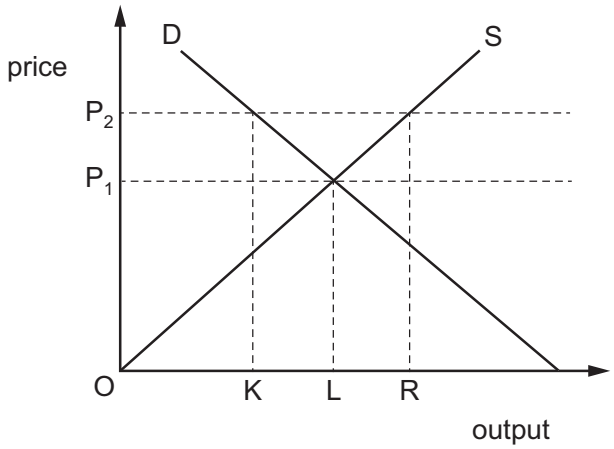
A A progressive tax usually improves the distribution of income.

B A regressive tax benefits the rich more than the poor.

C An ad valorem tax causes a parallel shift left of the supply curve.

D Some consumers can avoid paying indirect tax.

18 The diagram shows the market supply and demand curves for wheat.



What should a government do to maintain a minimum price of OP_2?

A buy quantity KL

B buy quantity KR

C sell quantity LR

D sell quantity KR

19 Singapore imports almost all of its raw materials and its exports are a high percentage of its GDP. The price elasticity of demand for exports and the price elasticity of demand for imports are each less than 1.

What would be the likely impact of a depreciation of the Singapore dollar?

A The domestic inflation rate would fall.

B The government's budget deficit would move to surplus.

C The price of imports would fall.

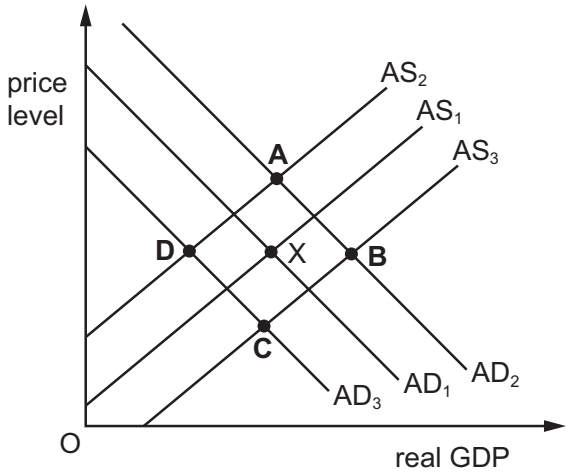
D The value of exports would fall.

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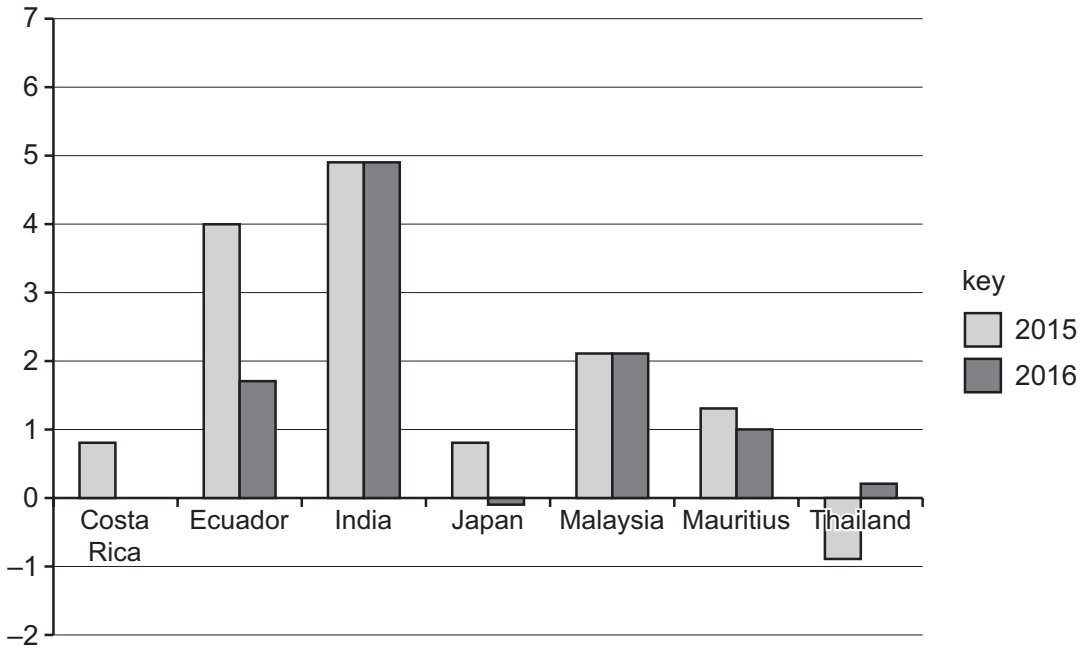
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20 The diagram shows the original aggregate demand curve, AD_1, and the original aggregate supply curve, AS_1. The original equilibrium is at X.

What would be the new equilibrium if there is an increase in private sector investment and an increase in government spending on training courses?



21 The graph shows the rate of inflation for seven countries for 2015 and 2016.



What can be concluded from this graph?

A Prices in Costa Rica rose in 2015 but remained constant in 2016.

B Prices in Ecuador and Mauritius were lower in 2016 than in 2015.

C Prices in India and Malaysia remained constant in 2016 and 2015.

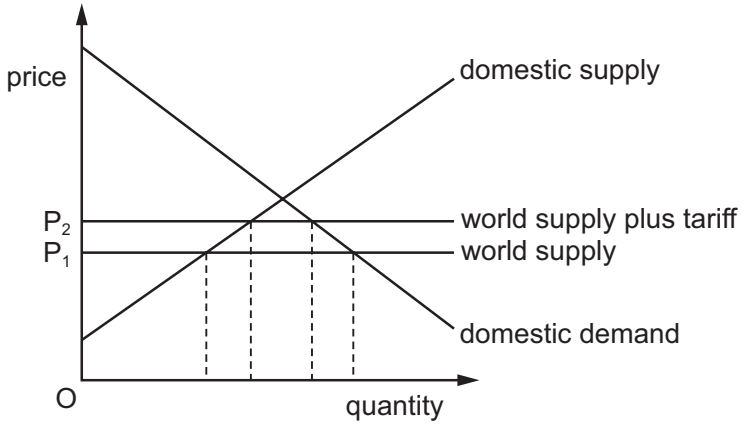
D Prices in Thailand and Japan were lower in 2016 than in 2015.

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22 The diagram shows the effect of a tariff on a product.



From this diagram, what determines the gain the tariff generates for domestic producers?

A the price elasticities of domestic supply and demand

B the tariff rate and the price elasticities of both domestic demand and supply

C the tariff rate and the price elasticity of domestic demand

D the tariff rate and the price elasticity of domestic supply

23 The European Union consists of a group of countries with free trade between its members and a common external tariff on trade with non-members.

What would weaken the operation of this customs union?

A devaluation of any member's currency

B differences in wage costs between members

C entry tests for seasonal migrant workers

D one member country agreeing a trade deal with a non-member country

24 Which change is **most** likely to result in a worsening of a country's balance of payments?

A a reduction in remittances from citizens who work abroad

B a rise in domestic rates of direct taxation

C an expansion in the economy of a major trading partner

D an increase in domestic interest rates

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25 What must be true if an economy is experiencing inflation?

A Aggregate demand is increasing.

B Aggregate supply is decreasing.

C The interest rate is increasing.

D The real value of money is decreasing.

26 What is the **most** likely consequence of an appreciation in the value of the Malaysian ringgit?

A a decline in the level of unemployment in Malaysia

B a fall in the rate of growth of the general price level in Malaysia

C a reduction in the volume of imports into Malaysia

D an improvement in the Malaysian balance of trade in services

27 Under which conditions will an appreciation of a floating exchange rate cause the current account of the balance of payments to worsen the most?

	price elasticity of demand for imports	price elasticity of demand for exports
A	0.4	0.4
B	0.4	0.6
C	0.6	0.4
D	0.6	0.6

28 An economy experiences cost-push inflation.

Which combination of policies would be best for the economy to use to reduce cost-push inflation?

	exchange rate	supply-side policy
A	appreciate	lower minimum wage
B	appreciate	raise minimum wage
C	depreciate	lower minimum wage
D	depreciate	raise minimum wage

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29 A government reduces the rate of tax firms are charged on their land and buildings.

How is this likely to affect the economy's price level and real output?

	price level	real output
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

30 A government adopts a more expansionary fiscal policy and a more deflationary monetary policy.

Which combination of changes in policy instruments is consistent with this?

	government expenditure	taxation	interest rate
A	decrease	decrease	decrease
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	increase

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