

A level Cambridge

ECONOMICS

Paper 3
2017 — 2023

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1 - (9708/31_Summer_2017_Q1) - Basic Economic Ideas And Resource Allocation

What would be an example of a market failure?

- A higher prices for hotel rooms at holiday periods
- B noise pollution experienced near major airports
- C periods of inflation when prices of all goods and services rise
- D 20% of a country's population live in poverty

2 - (9708/32_Summer_2017_Q1) - Basic Economic Ideas And Resource Allocation

When will an economic activity create a net social benefit?

- A when $(\text{private benefit} + \text{external benefit}) - (\text{private cost} + \text{external cost})$ is negative
- B when $(\text{private benefit} + \text{external benefit}) - (\text{private cost} + \text{external cost})$ is positive
- C when $(\text{private benefit} + \text{private cost}) - (\text{external benefit} + \text{external cost})$ is negative
- D when $(\text{private benefit} + \text{private cost}) - (\text{external benefit} + \text{external cost})$ is positive

3 - (9708/33_Summer_2017_Q1) - Basic Economic Ideas And Resource Allocation

When will an economic activity create an external cost?

- A when its social cost minus its private cost is negative
- B when its social cost minus its private cost is positive
- C when its social cost minus its social benefit is negative
- D when its social cost minus its social benefit is positive

4 - (9708/31_Summer_2017_Q3) - Basic Economic Ideas And Resource Allocation

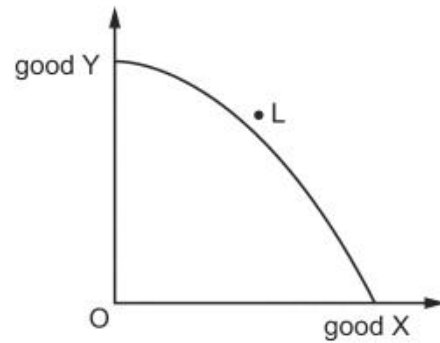
The table shows the expected costs and benefits from four government projects. The government can afford only one project.

Which project should the government choose?

	private benefits (\$m)	external benefits (\$m)	private costs (\$m)	external costs (\$m)
A	40	200	60	70
B	60	160	100	20
C	100	210	100	120
D	150	90	120	140

5 - (9708/32_Summer_2017_Q3) - *Basic Economic Ideas And Resource Allocation, The Price System And The Micro Economy*

The diagram shows the production possibility curve for an economy.



What might make it possible for consumers in this economy to consume the combination of goods X and Y indicated by the point L?

- A a reduction in unemployment
- B the achievement of productive efficiency
- C the elimination of a monopoly in the production of good X
- D trade with other economies

6 - (9708/32_Winter_2017_Q1) - *Basic Economic Ideas And Resource Allocation*

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

What can be deduced from this?

- A Individuals are the best judges of their own well-being.
- B Individuals can be relied upon to behave rationally.
- C The distribution of income is socially optimal.
- D The economy's resources are allocated efficiently.

7 - (9708/31_Winter_2017_Q2) - Basic Economic Ideas And Resource Allocation

A town council estimated the costs and benefits of operating a bus service in 2015 and 2016. These are shown in the table.

	2015 \$000	2016 \$000
private costs	2000	2200
external costs	500	900
private benefits	1500	2300
external benefits	1000	800

What can be concluded from the table?

- A Between 2015 and 2016, social costs fell and social benefits rose.
- B Between 2015 and 2016, social costs rose and social benefits fell.
- C In both years, positive externalities exceeded negative externalities.
- D In both years, social costs equalled social benefits.

8 - (9708/32_Winter_2017_Q3) - Basic Economic Ideas And Resource Allocation

The production of a firm which operates in an imperfectly competitive market gives rise to external production costs.

Which statement about this firm must be correct?

- A External costs exceed external benefits.
- B Private costs exceed social costs.
- C Social costs exceed private costs.
- D Social costs exceed social benefits.

9 - (9708/33_Winter_2017_Q3) - Basic Economic Ideas And Resource Allocation

A cost-benefit analysis concludes that a nuclear power station project might be socially worthwhile, although it will take 10 years to bring into operation.

Why might a government decide **not** to undertake the project?

- A Cost-benefit analysis has no method for valuing the long-term impact of a project.
- B Cost-benefit analysis is only suitable for private sector projects.
- C The government believes that the project has too high an opportunity cost.
- D The government's policy is to restrict the extent of the market system.

10 - (9708/32_Winter_2017_Q4) - *Basic Economic Ideas And Resource Allocation*

In the UK in 2015 there were two methods of charging for water supply.

- 1 a fixed charge giving the consumer the right to consume water at zero price per litre
- 2 a price per litre of water used

It has been observed that the amount of water consumed is markedly lower when method 2 is used.

What is implied by this observation?

- A Water in the UK is not a scarce good.
- B Water is a free good of nature and no charge should be levied.
- C Water is a necessity, the use of which should not be restricted by unit prices.
- D Water is subject to the law of diminishing marginal utility.

11 - (9708/33_Winter_2017_Q16) - *Basic Economic Ideas And Resource Allocation*

What is **not** an outcome of the existence of private property rights?

- A They encourage private owners to conserve property when its value is expected to rise.
- B They give private owners the incentive to manage their property carefully.
- C They make a private owner accountable for damage to others from property misuse.
- D They prevent private owners gaining from using resources to benefit others.

12 - (9708/32_Winter_2017_Q22) - *Basic Economic Ideas And Resource Allocation*

What could **not** exist in a closed, mixed economy?

- A a balance of trade deficit
- B a budget deficit
- C household debt
- D national debt

13 - (9708/31_Summer_2018_Q1) - *Basic Economic Ideas And Resource Allocation*

A government makes a study of the costs and benefits of allowing a leisure company to develop a holiday resort in an area of natural beauty.

When should the government allow this development to take place?

- A if private benefits exceed private costs
- B if private costs exceed private benefits
- C if social benefits exceed social costs
- D if social costs exceed social benefits

ANSWERS

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1 - (9708/31_Summer_2017_Q1) - *Basic Economic Ideas And Resource Allocation*

B

2 - (9708/32_Summer_2017_Q1) - *Basic Economic Ideas And Resource Allocation*

B

3 - (9708/33_Summer_2017_Q1) - *Basic Economic Ideas And Resource Allocation*

B

4 - (9708/31_Summer_2017_Q3) - *Basic Economic Ideas And Resource Allocation*

A

5 - (9708/32_Summer_2017_Q3) - *Basic Economic Ideas And Resource Allocation, The Price System And The Micro Economy*

D

6 - (9708/32_Winter_2017_Q1) - *Basic Economic Ideas And Resource Allocation*

D

7 - (9708/31_Winter_2017_Q2) - *Basic Economic Ideas And Resource Allocation*

D

8 - (9708/32_Winter_2017_Q3) - *Basic Economic Ideas And Resource Allocation*

C

9 - (9708/33_Winter_2017_Q3) - *Basic Economic Ideas And Resource Allocation*

C

10 - (9708/32_Winter_2017_Q4) - *Basic Economic Ideas And Resource Allocation*

D