

A level Cambridge

ECONOMICS

Paper 3
2020 — 2024

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1 - (9708/31_Summer_2020_Q1) - *Basic Economic Ideas And Resource Allocation*

A medical team in a refugee camp provides vaccinations for children to prevent an outbreak of an infectious disease.

Why would this be described as a positive externality?

- A Additional benefit might be gained as the disease no longer spreads.
- B Any kind of medical help will improve the condition of the children.
- C No action would be taken unless the medical team intervened.
- D The social benefits of vaccination are less than the social costs.

2 - (9708/31_Summer_2020_Q3) - *Basic Economic Ideas And Resource Allocation*

An economist undertakes a cost-benefit analysis of the pollution resulting from a manufacturing process.

Which judgement is most likely to guide any recommendation about the appropriate level of manufacturing output?

- A that the marginal social cost of manufacturing equals the marginal social benefit
- B that the marginal cost of pollution is zero
- C that the total revenue of manufacturing equals the total cost
- D that the total benefit of pollution is maximised

3 - (9708/31_Summer_2020_Q13) - *Basic Economic Ideas And Resource Allocation*

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

- A government provision of healthcare
- B price controls on large firms
- C regulations to limit smoke pollution
- D removing import quotas

4 - (9708/32_Summer_2020_Q1) - *Basic Economic Ideas And Resource Allocation*

What is an example of a negative externality?

- A Lower profit due to increased competition from new firms entering the market.
- B Reduced government funding for a museum.
- C The increase in noise levels from aircraft due to the expansion of a large city airport.
- D The increase in production costs due to an increase in the cost of importing raw materials.

5 - (9708/32_Summer_2020_Q3) - Basic Economic Ideas And Resource Allocation

The amount of training undertaken in a mixed economy is not socially optimal.

What could explain this?

- A Experienced educators are a scarce resource.
- B In a mixed economy training is a public good.
- C The individual's benefit from training is less than the benefit to society.
- D Training is a large variable cost for firms.

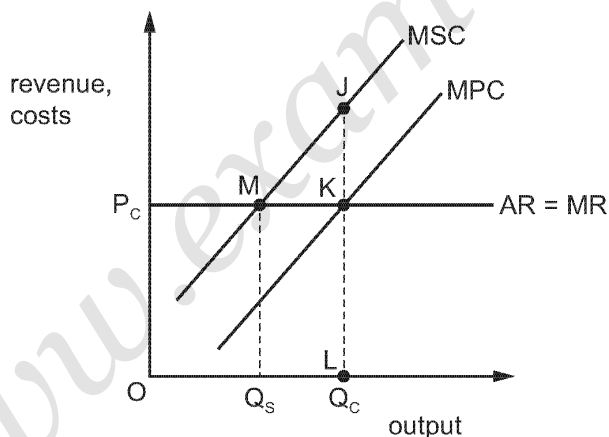
6 - (9708/31_Winter_2020_Q1) - Basic Economic Ideas And Resource Allocation

What is the main aim of cost-benefit analysis?

- A to allow firms to maximise their private benefit and minimise the external cost
- B to equate total social benefit to the total social cost of a project
- C to find the correct level of direct tax to internalise the external cost of a project
- D to find the highest positive difference between total benefit and total cost

7 - (9708/31_Winter_2020_Q2) - Basic Economic Ideas And Resource Allocation

The diagram shows a firm in perfect competition that creates pollution.



What represents the external cost?

- A JK
- B JM
- C KL
- D MK

8 - (9708/32_Winter_2020_Q1) - Basic Economic Ideas And Resource Allocation

What is necessary to achieve Pareto efficiency?

- A Both consumers and producers must be made better off.
- B Everybody must be made equally better off.
- C One person must benefit without anyone else being worse off.
- D The welfare gains must exceed the welfare losses.

9 - (9708/32_Winter_2020_Q2) - Basic Economic Ideas And Resource Allocation

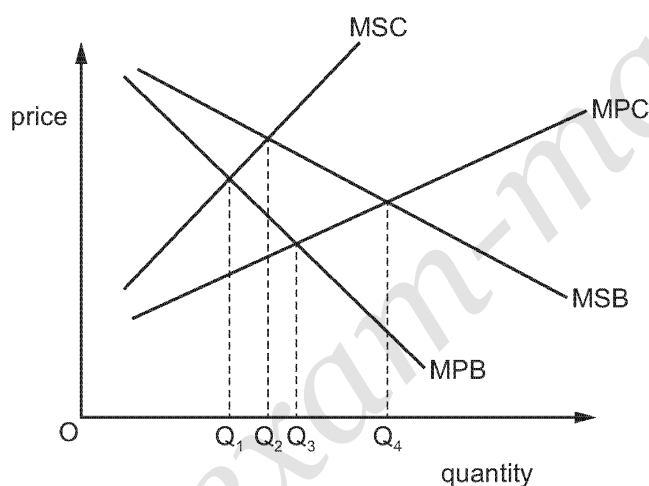
A local council is considering building a passenger terminal at a port so that it can benefit the large cruise ships that dock there. It undertakes a cost–benefit analysis.

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

- A the cost of a ticket for a passenger to travel on a cruise ship
- B the cost of fuel to operate the cruise ships
- C the costs paid by cruise ships when they dock at the port
- D the cost to a fishing fleet of relocating to another port

10 - (9708/32_Winter_2020_Q3) - Basic Economic Ideas And Resource Allocation, Government Microeconomic Intervention

The expected marginal private benefits (MPB), marginal social benefits (MSB), marginal private costs (MPC) and marginal social costs (MSC) for the building of a new road are shown in the diagram. The government intervenes so that the socially desirable output is achieved.



Which combination shows the equilibrium output without government intervention and with government intervention?

	without government intervention	with government intervention
A	Q ₄	Q ₁
B	Q ₃	Q ₂
C	Q ₃	Q ₄
D	Q ₄	Q ₁

ANSWERS

1 - (9708/31_Summer_2020_Q1) - Basic Economic Ideas And Resource Allocation

A

2 - (9708/31_Summer_2020_Q3) - Basic Economic Ideas And Resource Allocation

A

3 - (9708/31_Summer_2020_Q13) - Basic Economic Ideas And Resource Allocation

D

4 - (9708/32_Summer_2020_Q1) - Basic Economic Ideas And Resource Allocation

C

5 - (9708/32_Summer_2020_Q3) - Basic Economic Ideas And Resource Allocation

C

6 - (9708/31_Winter_2020_Q1) - Basic Economic Ideas And Resource Allocation

D

7 - (9708/31_Winter_2020_Q2) - Basic Economic Ideas And Resource Allocation

A

8 - (9708/32_Winter_2020_Q1) - Basic Economic Ideas And Resource Allocation

C

9 - (9708/32_Winter_2020_Q2) - Basic Economic Ideas And Resource Allocation

D

10 - (9708/32_Winter_2020_Q3) - Basic Economic Ideas And Resource Allocation, Government Microeconomic Intervention

B