



# Cambridge IGCSE™

## ECONOMICS

Paper 1 Multiple Choice

0455/13

May/June 2023

45 minutes

You must answer on the multiple choice answer sheet.

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

## INSTRUCTIONS

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

## INFORMATION

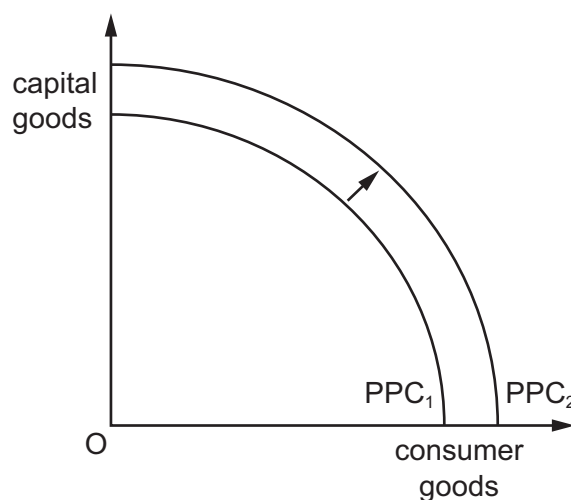
- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

- 1 GDP per capita in Switzerland is high.

What is the reason why Swiss citizens still face the basic economic problem?

- A Income in Switzerland is unevenly distributed.
  - B Inflation in Switzerland is high.
  - C Swiss citizens expect high living standards.
  - D Swiss citizens have to make choices in consumption.
- 2 The production possibility curve of a country has shifted from  $PPC_1$  to  $PPC_2$ .



What could have caused this shift?

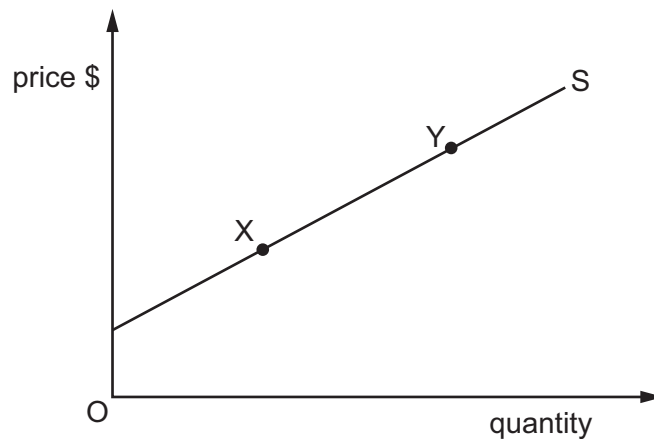
- A a decrease in the rate of unemployment
  - B a fall in the birth rate
  - C improved education
  - D outdated technology not being replaced
- 3 What is **most** likely to increase the geographical mobility of labour?
- A an increase in the amount of credit available to firms
  - B an increase in the quantity of low-cost housing
  - C an increase in spending by firms on research and development
  - D an increase in spending by government on apprenticeships and training

- 4 What is **not** a microeconomic decision?
- A A firm decides to increase the price of its product.
  - B A government decides to increase interest rates.
  - C A household decides to reduce its demand for fuel.
  - D A trade union decides to go on strike.

- 5 What is a feature of a market in equilibrium?

- A demand exceeds supply
- B no profits are earned
- C the market will clear
- D there will be a surplus of products

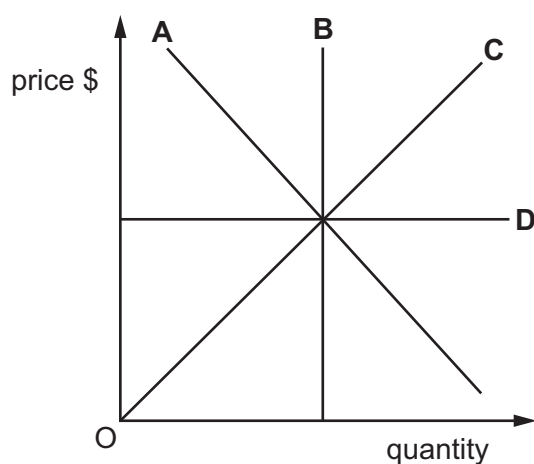
- 6 The diagram shows the supply curve for a good.



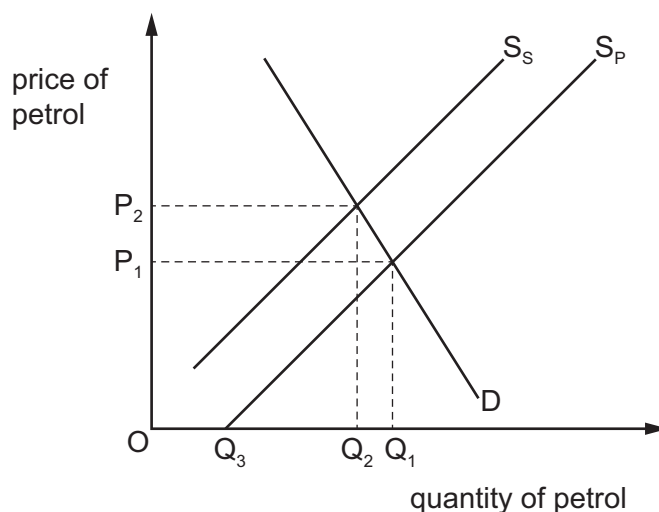
What is the name and cause of the movement from X to Y?

- A a contraction of supply caused by a decrease in demand
- B a contraction of supply caused by an increase in demand
- C an extension of supply caused by a decrease in demand
- D an extension of supply caused by an increase in demand

- 7 In the diagram, which supply curve has the perfectly inelastic supply?



- 8 The diagram shows the market for petrol (gasoline).  $S_P$  is the supply of petrol based on the private cost of petrol production and  $S_S$  is the supply of petrol based on the social cost of production.



Which distance shows the market failure caused by the production of petrol?

- A**  $OQ_1$       **B**  $OQ_2$       **C**  $Q_2Q_1$       **D**  $Q_3Q_1$

- 9 In a given year, the world output of coal was 3.94 billion metric tonnes at an average yearly price of \$252 per metric tonne.

Several years later, world output was 3.66 billion metric tonnes at an average yearly price of \$120 per metric tonne.

What might have caused such a fall in the price of coal?

- A almost half the world's coal reserves were in just two countries  
 B the exhaustion of coal seams throughout the world  
 C the switch to renewable sources of energy  
 D the use of coal as a raw material as well as a fuel
- 10 A government believes that people eat too much sugar but not enough fruit.

Which combination of policies would the government introduce?

	sugar	fruit
A	increase its tax	increase its tax
B	increase its tax	subsidise its production
C	subsidise its production	increase its tax
D	subsidise its production	subsidise its production

- 11 Which row shows a characteristic of money and a function of money?

	characteristic	function
A	acceptability	medium of exchange
B	cash	measure of value
C	divisibility	portability
D	store of value	bank deposit

- 12 When will a central bank act as lender of last resort to a commercial bank?

- A when a commercial bank faces a liquidity crisis  
 B when a commercial bank fails to make a profit  
 C when a commercial bank needs to raise share capital  
 D when a commercial bank reduces its lending rates

- 13** What is likely to increase the bargaining power of a trade union?
- A** when the economy is experiencing rising cyclical unemployment
  - B** when the labour market moves from long-term to short-term contracts of employment
  - C** when the price elasticity of demand for the product is price-elastic
  - D** when the trade union supplies all the labour required by the employer
- 14** What is a likely reason why firms do **not** grow in size?
- A** External diseconomies of scale occur at high levels of output.
  - B** Internal economies of scale occur at high levels of output.
  - C** Internal economies of scale occur at low levels of output.
  - D** Internal diseconomies of scale occur at low levels of output.

- 15** The table shows the activities of four firms.

firm 1	firm 2	firm 3	firm 4
shoe manufacture	website design	shoe manufacture	shoe retailer

Which combination of firms would be an example of horizontal integration?

- A** 1 and 2      **B** 1 and 3      **C** 2 and 4      **D** 3 and 4
- 16** What is a reason why firms making similar products sometimes locate near each other?
- A** Competition is decreased.
  - B** There are external economies of scale.
  - C** There are internal economies of scale.
  - D** Transport costs may be eliminated.

- 17 A government wishes to increase its spending on public goods.

Which sector should have a spending increase to achieve this?

- A education
- B healthcare
- C national defence
- D railways

- 18 Which government measure would lead directly to more exports of goods?

- A a devaluation of the currency
- B a restriction of bank credit creation
- C an increase in the rate of interest
- D the issue of more bank notes and coins

- 19 A government wishes to stimulate economic recovery.

Which action will assist this?

- A decreasing government investment
- B decreasing income tax
- C increasing indirect taxation
- D increasing interest rates

- 20 What is the **most** likely effect on an economy of a successful supply-side policy?

- A an increase in the general price level
- B an increase in the interest rate
- C an increase in the money supply
- D an increase in the potential GDP

- 21 A country is experiencing high economic growth caused by an increase in consumer spending. What are the **most** likely effects on inflation and unemployment?
- A inflation falls and unemployment falls
  - B inflation falls and unemployment rises
  - C inflation rises and unemployment falls
  - D inflation rises and unemployment rises
- 22 Which pair is **most** likely to be provided by the private sector in a mixed economy?
- A courts and prisons
  - B hospitals and tax collection
  - C insurance and banks
  - D weapon manufacture and defence
- 23 An economy is experiencing a sustained fall in the general price level. Which term is used to describe this?
- A deflation
  - B depreciation
  - C market disequilibrium
  - D recession
- 24 What is **most** likely to cause an increase in relative poverty?
- A an increase in state benefits
  - B an increase in the national minimum wage
  - C pension increases below the rate of inflation
  - D people working beyond retirement age
- 25 What might explain the high population growth in some developing countries?
- A high birth rates and falling death rates
  - B low immigration and high emigration
  - C falling birth rates and rising death rates
  - D falling life expectancy



- 26** Which combination of factors might cause a country to be classified as developing rather than developed?
- A** a government budget deficit and a low death rate
  - B** a high birth rate and a low death rate
  - C** a large population and a current account deficit
  - D** a poor education system and a low standard of living
- 27** What is certain to encourage a higher level of international trade?
- A** conservation of resources and unstable exchange rates
  - B** exploitation of resources and wider use of quotas
  - C** increased support for home industries and increased tariffs
  - D** more specialisation and falling transport costs
- 28** The import of a product from another country has been banned.
- Which term describes this method of protection?
- A** embargo
  - B** exchange control
  - C** quota
  - D** tariff
- 29** A developing country's two major sources of income from international trade are fishing and tourism.
- If the country's exchange rate depreciated, what is likely to happen?
- A** Imported goods would become cheaper for local people.
  - B** The country would definitely become poorer.
  - C** The price of fish sold as exports would become cheaper.
  - D** Tourists to the country would be discouraged by higher prices.

- 30 What is the correct formula for calculating the current account of the balance of payments?
- A balance of trade in goods + balance of trade in services + primary income balance + secondary income balance
  - B government revenue from abroad – domestic government spending
  - C 
$$\frac{\text{percentage change in quantity demanded of exports}}{\text{percentage change in price of imports}}$$
  - D total exports of services + total imports of goods

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