1 Which **one** of the following will cause a movement along the demand curve in the market for rice?

☒ **A** An increase in the global population

☒ **B** An increase in real incomes

☒ **C** A decrease in the price of noodles

☒ **D** A decrease in the price of rice

(Total for Question 1 = 1 mark)

1 Which **one** of the following is a characteristic of symmetric information?

☒ **A** Buyers have more information than sellers

☒ **B** Sellers have more information than buyers

☒ **C** Buyers and sellers have the same level of information

☒ **D** Buyers and sellers experience market failure

(Total for Question 1 = 1 mark)

1 Which **one** of the following statements is a consequence of diminishing marginal utility?

☒ **A** Total utility will rise at a faster rate as more of a product is consumed

☒ **B** The supply curve for a product will slope upwards

☒ **C** The demand curve for a product will slope downwards

☒ **D** Total utility will rise at a constant rate as more of a product is consumed

(Total for Question 1 = 1 mark)

2 In 2015 the Government of Thailand set a maximum price below the market equilibrium price for flights within the country. In 2023 the Government of Thailand increased the maximum price by 3.75%.

Ceteris paribus, which **one** of the following is the most likely result of increasing the maximum price of flights within Thailand?

☒ **A** An increase in excess supply

☒ **B** A decrease in excess supply

☒ **C** An increase in excess demand

☒ **D** A decrease in excess demand

(Total for Question 2 = 1 mark)

5 In April 2020 electricity prices increased on average by 10% in the UK. In the same month, a record number of 668 371 consumers switched to cheaper electricity suppliers.

Which **one** of the following can explain the behaviour of those consumers who switched to cheaper electricity suppliers?

☒ **A** Consumers experienced habitual behaviour

☒ **B** Consumers aimed to maximise their utility

☒ **C** Consumers had poor computational skills

☒ **D** Consumers aimed to minimise their utility

(Total for Question 5 = 1 mark)

1 Which **one** of the following best describes the nature of economics?

☒ **A** Economics is a physical science

☒ **B** Economics is a social science

☒ **C** Economists investigate the allocation of unlimited resources to satisfy limited wants

☒ **D** Economists use scientific experiments keeping all variables unchanged

(Total for Question 1 = 1 mark)

11 Between January 2020 and May 2020 the price of bananas charged by retailers in the USA increased from $1.17 to $1.30 per kg. This was mainly caused by increased costs of transportation from banana growers to markets in North America.

Explain the likely impact of this change in price on consumer surplus.

Illustrate your answer with a diagram.

7 In 2021 the number of citizens taking online education courses in the Philippines was 1 300 000.

Draw a diagram to illustrate the likely external benefits resulting from online education in the Philippines.

11 Several car manufacturers were found to have misled consumers about diesel emissions. As a result, many consumers substituted diesel cars that use platinum with petrol cars that use palladium. Consequently, the price of palladium increased by 46% between March 2019 and March 2020.

Explain the effect of this increase in price on producer surplus in the market for palladium. Illustrate your answer with a diagram.

8 In 1960 Lake Chad in Central Africa was large enough to provide the local farmers with water to irrigate their crops. However, by 2017 there had been a 90% reduction in the size of the lake. The farmers could no longer use water from the lake for irrigation.

With reference to Lake Chad, explain the difference between a free good and an economic good.

10 The table shows the global volume of olive oil produced in tonnes and the global price of olive oil per tonne in 2021 and 2022.

Year	Volume of olive oil produced in tonnes	Price of olive oil, per tonne
2021	2.93m	$4 125
2022	3.27m	$5 145

Ceteris paribus, calculate the price elasticity of supply for olive oil. Show your workings.

12 (a) Define the term 'indirect tax' (Extract B, line 20).

(2)

(b) With reference to the **titles** of Extract A and Extract B, explain the difference between positive statements and normative statements.

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** reasons why between 1 April 2020 and 1 January 2021 the world price of cotton increased.

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to Extract B, examine **two** external costs associated with the production of clothing.

(8)

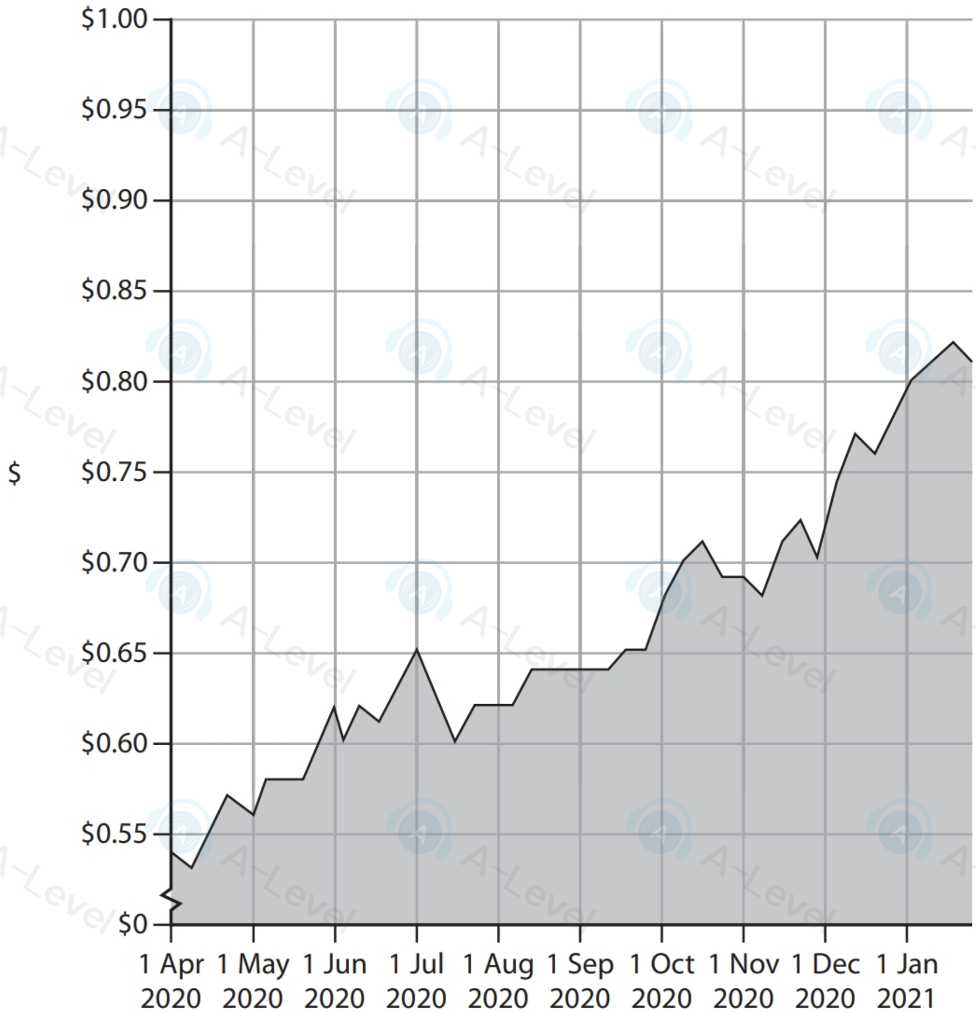
(e) With reference to Extract C, discuss the impact of the removal of the subsidy paid to Indian clothing manufacturers on consumers and manufacturers.

Illustrate your answer with an appropriate diagram.

(14)

Cotton and clothing

Figure 1 World price of cotton, $ per lb, April 2020 to January 2021



Extract A World cotton price rises

Between 1 April 2020 and 1 January 2021 the demand for face masks, bedsheets and surgical gowns increased. All require cotton in their production. During the same period there was a reduced cotton crop in Pakistan, the world's fourth largest supplier. High temperatures resulted in a decrease in the amount of cotton produced. Both these factors caused an increase in the price of cotton.

Extract B Clothing manufacturers should reduce environmental costs

Clothing retailers and manufacturers earn $2.4 billion globally and directly employ 75 million people. The clothing industry is the world's third largest manufacturing sector.

The manufacture of clothing involves significant environmental costs. For example, on average, producing one pair of jeans requires 3 781 litres of water and creates 33.4 kg of carbon emissions. This includes the production of the cotton through to the delivery of the final product to stores.

According to the United Nations, each year:

- clothing manufacturers use 93 billion cubic metres of water
- 20% of all wastewater comes from clothes dyeing by manufacturers
- after use, 87% of clothing is burnt or disposed of in landfill
- clothing manufacturers produce 10% of annual global carbon emissions. This is more than all international flights and shipping combined.

Clothing retailers used to have four seasonal clothing ranges per year. However, many clothing stores now offer new ranges weekly. Between 2000 and 2020 the number of clothing items produced yearly increased from 50 billion to 100 billion. In 2019 a person bought, on average, 60% more clothing than in 2000 and more items of clothing are thrown away. Less than 1% of used clothing is recycled into new garments.

In response to the environmental damage caused by the clothing industry, Ireland's Government is considering the introduction of an indirect tax on clothing.

Extract C Indian Government to remove clothing subsidy

India employs 35 million workers in clothing manufacturing. Clothing accounts for 12% of India's exports. To protect this important industry the Indian Government used to pay a subsidy to clothing manufacturers. However, the US Government and the Turkish Government argued that this gave Indian manufacturers an unfair advantage. Consequently the Indian Government removed this subsidy in 2018.