

5 In the USA the average price of an all-you-can-eat buffet is \$20.

The table shows the marginal utility gained from consuming each plate of food from the buffet for a typical consumer.

Plate	Marginal utility
1st	6
2nd	4
3rd	2
4th	1
5th	-2

At which **one** of the following would total utility be maximised?

- ☐ A 2nd plate
- ☐ B 3rd plate
- ☐ C 4th plate
- ☐ D 5th plate

(Total for Question 5 = 1 mark)

3 The table shows the price elasticity of demand for four household appliances.

Household appliances	Price elasticity of demand
Clothes dryers	-0.14
Dishwashers	-0.37
Refrigerators	-0.48
Washing machines	-0.32

(Source adapted from: <https://www.osti.gov/servlets/purl/929429>)

Which **one** of the following can be deduced from the table?

- ☐ A The demand for clothes dryers is price elastic
- ☐ B The demand for dishwashers is perfectly price inelastic
- ☐ C The demand for refrigerators is price inelastic
- ☐ D The demand for washing machines is perfectly price elastic

(Total for Question 3 = 1 mark)

3 In 2022 it was estimated that \$5.8 trillion worth of money was circulating in the USA.

Which **one** of the following is a function of money?

- ☐ A To create a moral hazard
- ☐ B To extend property rights
- ☐ C To regulate financial markets
- ☐ D To act as a medium of exchange

(Total for Question 3 = 1 mark)

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6 The table shows the estimated income elasticity of demand for selected food items in the UK.

Food item	Income elasticity of demand
Butter	+0.20
Coffee	+0.16
Margarine	-0.37
Tea	-0.02

(Source: <https://pdfs.semanticscholar.org/c384/d29d9fb4993d265c9bed5be20f6d984b09c3.pdf>)

Which **one** of the following can be deduced from the data?

- ☐ A A decrease in real income will result in a more than proportionate decrease in demand for butter
- ☐ B An increase in real income will result in a less than proportionate increase in demand for coffee
- ☐ C A decrease in real income will result in a more than proportionate increase in demand for margarine
- ☐ D An increase in price will result in a less than proportionate decrease in demand for tea

(Total for Question 6 = 1 mark)

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- 4 The table shows the total utility obtained as a consumer drinks milk.

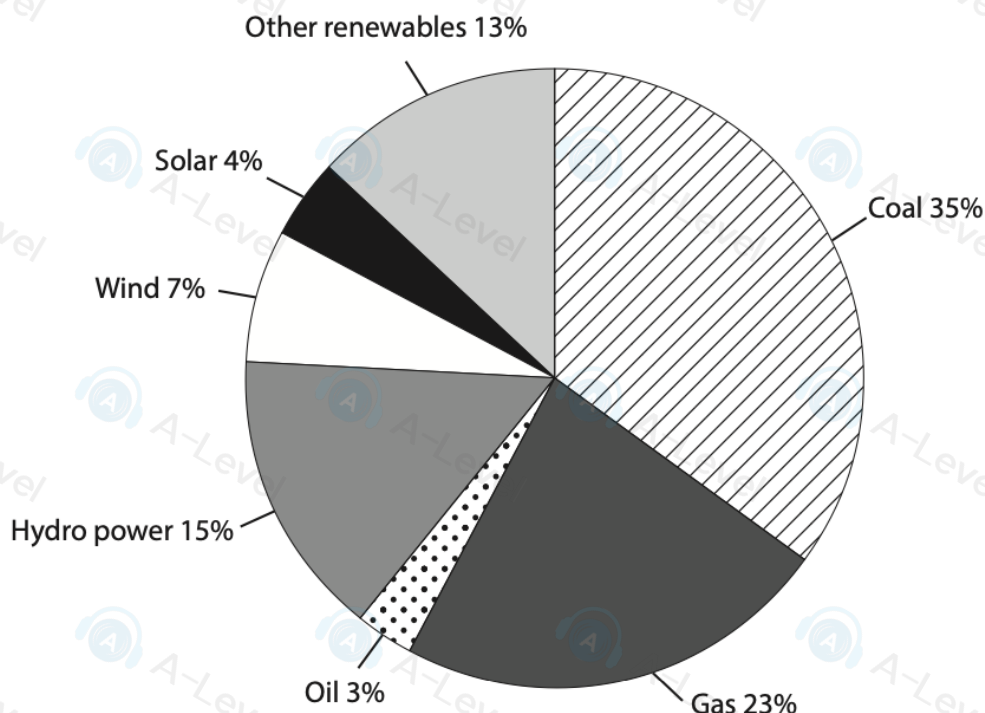
Glasses of milk	Total utility
1	2
2	5
3	8
4	10
5	9
6	4

Which **one** of the following can be deduced from the table?

- ☒ **A** Utility is maximised when three glasses of milk are consumed
- ☒ **B** Diminishing marginal utility sets in with the consumption of the fourth glass of milk
- ☒ **C** Diminishing marginal utility sets in with the consumption of the fifth glass of milk
- ☒ **D** Utility is maximised when six glasses of milk are consumed

(Total for Question 4 = 1 mark)

- 5 The chart shows the resources used to generate electricity globally in 2022.



(Source: <https://www.worldenergydata.org/world-electricity-generation/>)

Which **one** of the following can be deduced from the chart?

- ☐ A Electricity was mostly generated using renewable resources
- ☐ B Electricity was mostly generated using non-renewable resources
- ☐ C 58% of electricity was generated using non-renewable resources
- ☐ D 26% of electricity was generated using renewable resources

(Total for Question 5 = 1 mark)

- 7 In Laos consumers' real incomes decreased by 12.32% during 2021. The income elasticity of demand for a domestic holiday was +1.36.

Draw a diagram to illustrate the likely impact of this change in consumers' real incomes on the equilibrium price and quantity for domestic holidays in Laos.

- 11 Between 2021 and 2022 the production of tomatoes in the EU decreased from 17.9 million tonnes to 15.5 million tonnes. The average price of tomatoes in the EU increased from €143 per tonne to €153 per tonne.

Ceteris paribus, explain the likely impact of this change in supply on consumer surplus in the tomato market.

Illustrate your answer with a supply and demand diagram.

- 7 According to research, university education results in substantial external benefits. These include longer life expectancy, less crime, lower welfare payments and the adoption of new technology.

Draw a diagram to illustrate these external benefits.

- 11** The cross elasticity of demand for meat with respect to fish is estimated to be +0.13 in Bangladesh.

Explain the likely impact of a 10% increase in the price of fish on the demand for meat in Bangladesh.

- 8** In the USA research found that 68% of those without health insurance and 88% of those with health insurance visited a dentist.

With reference to health insurance, explain what is meant by 'moral hazard'.

- 13** Productivity in France and Germany was significantly higher than in the UK between 2007 and 2016.

Evaluate the importance of productivity for the rate of economic growth in a country.

(Total for Question 13 = 20 marks)