1 **Statement 1**: The consumption of single-use plastic bags in Switzerland decreased by 80% after the Government introduced a tax on them.

Statement 2: Shops should be forced to charge consumers for single-use plastic bags to reduce the amount of plastic waste.

Which **one** of the following best describes the two statements?

☒ **A** Both statements are positive

☒ **B** Statement 1 is positive and statement 2 is normative

☒ **C** Both statements are normative

☒ **D** Statement 1 is normative and statement 2 is positive

(Total for Question 1 = 1 mark)

5 The table shows the estimated price elasticity of supply for cotton in selected countries.

Australia	0.46
Egypt	0.16
India	0.31
Mexico	1.08

(Source: http://www.fao.org/3/a-ah470e.pdf)

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

☒ **A** Supply is price elastic in India

☒ **B** Supply is price inelastic in Mexico

☒ **C** Supply is least responsive to a change in price in Egypt

☒ **D** Supply is most responsive to a change in price in Australia

(Total for Question 5 = 1 mark)

6 The table shows the estimated income elasticity of demand for various items.

	Income elasticity of demand
Cars	+2.46
Furniture	+1.48
Petrol	+0.48
Public transport	–0.37

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

☒ **A** A 10% increase in income leads to a 24.6% decrease in demand for cars

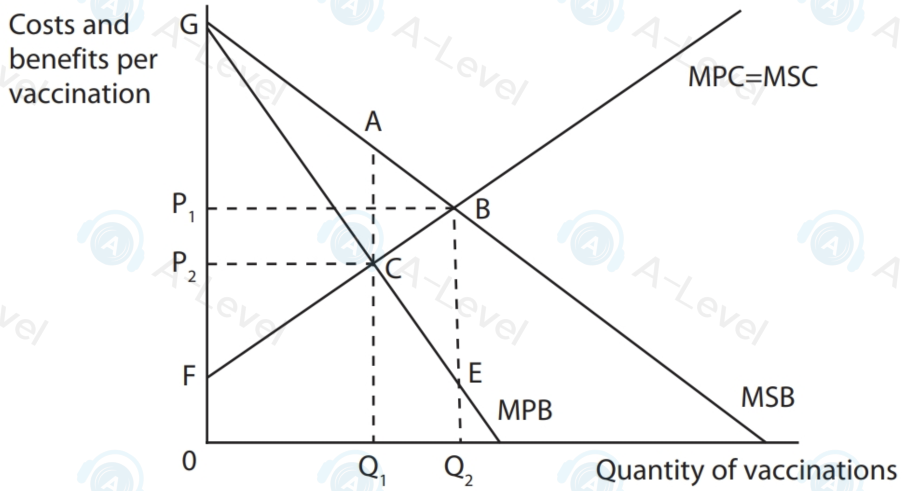
☒ **B** A 10% increase in income leads to a 14.8% decrease in demand for furniture

☒ **C** A 5% increase in income leads to a 2.4% increase in demand for petrol

☒ **D** A 5% increase in income leads to a 1.85% increase in demand for public transport

(Total for Question 6 = 1 mark)

4 The diagram shows the market for vaccinations against measles.



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

☒ **A** The social optimum output is Q_1

☒ **B** The market equilibrium output is Q_2

☒ **C** Welfare gain is shown by the area BCE

☒ **D** Welfare gain is shown by the area ABC

(Total for Question 4 = 1 mark)

2 In 2018 government spending in South Korea accounted for 30.3% of GDP.
In Denmark government spending accounted for 52.1% of GDP.

Which **one** of the following describes economies where resources are allocated by both the government and the price mechanism?

☒ **A** Free market

☒ **B** Command

☒ **C** Mixed

☒ **D** Irrational

(Total for Question 2 = 1 mark)

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)

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 The table shows the change in how electricity was generated between 2017 and 2018 in a group of developed economies.

Resource	**Change in electricity generation, terawatt hours (TWh)**
Coal	−105
Natural gas	+156
Hydro	+26
Wind	+52
Solar	+52

With reference to the change in how electricity was generated, explain the difference between 'renewable resources' and 'non-renewable resources'.

10 The table shows average household income per month in Singapore and the total quantity of cinema tickets purchased by its citizens in 2020 and 2021.

Year	**Average household income**	**Quantity of cinema tickets**
2020	S$4 022	4.7 million
2021	S$4 166	7.6 million

(Source: adapted from https://www.statista.com/statistics/199983/us-vehicle-sales-since-1951/ and https://dqydj.com/individual-income-by-year/#:~:text=Average%20Individual%20Income%20by%20Year%20%20%20Year,%20%20%2463%2C214.03%20%2056%20more%20rows%20)

Ceteris paribus, calculate the income elasticity of demand for cinema tickets. Show your working.

8 In the USA 96 million consumers have never switched banks. 39% of consumers had accounts at the same bank as their parents. 13% of consumers said that the process of switching involved too much time and effort.

With reference to switching banks, explain the difference between 'herding' and 'inertia'.

8 In 2020 the German city of Munich had the highest risk of a housing market bubble in the world. Between 2010 and 2020 the average price of a house more than doubled.

With reference to Munich's housing market, explain what is meant by a 'market bubble'.

13 In 2020 the Fraser Institute identified Hong Kong as being the closest to a free market economy in the world. This was based on Hong Kong's low tax rates, low government spending and the low level of business regulation.

Evaluate the advantages of a free market economy.

(Total for Question 13 = 20 marks)