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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/34**

Paper 3 A Level Multiple Choice **October/November 2025**

1 hour 15 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.

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1 What will act as a barrier to collusion between firms?

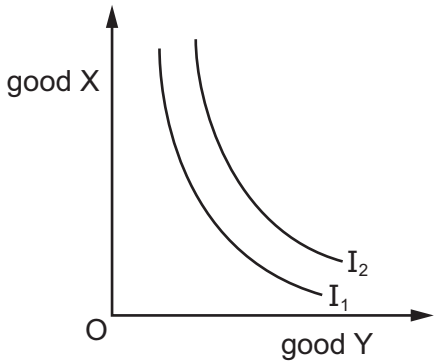
A an ability to detect price cuts by rivals

B the abolition of anti-trust measures

C the existence of a small number of firms in the industry

D unstable demand conditions for products

2 The diagram shows two indifference curves.



What do indifference curves indicate?

A Consumers get more satisfaction on curve I_1 from consuming more of X and less of Y.

B Consumers get more satisfaction on curve I_2 from consuming less of X and more of Y.

C Each point on the curve represents the marginal rate of substitution of good X for good Y.

D Movement from I_1 to I_2 cannot be made unless the indifference curves cross.

3 What is an example of forward vertical integration?

A A firm manufacturing computers merges with a firm that manufactures furniture.

B A firm manufacturing computers merges with a firm that manufactures silicon chips for computers.

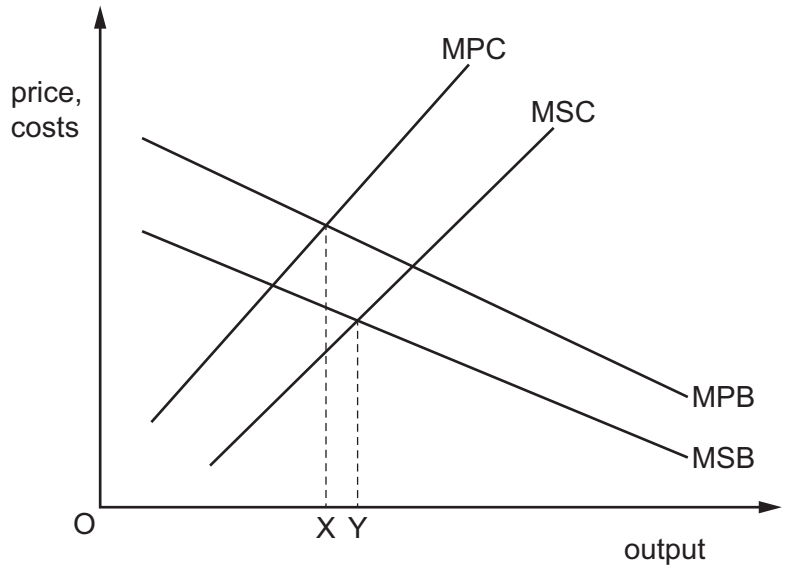
C A firm manufacturing computers merges with a retail outlet that sells computers.

D A firm manufacturing computers merges with another firm that also manufactures computers.

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4 The diagram shows positive and negative externalities of production and consumption.



Which row shows the correct combination of production and consumption externality when economic welfare is maximised?

	position of economic welfare	production externality	consumption externality
A	X	negative	negative
B	Y	positive	negative
C	X	negative	positive
D	Y	positive	positive

5 A firm has fixed costs of $300 and can produce two units per hour. Its total variable costs are $200 for one unit and $300 for two units.

Which cost will fall by the lowest amount when the second unit is produced?

A average fixed cost

B average total cost

C average variable cost

D marginal cost

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6 What is the most likely evidence that an economy has reached a position of Pareto optimality?

A price volatility

B a large current account deficit

C a regressive taxation system

D full employment

7 A firm is operating at a level of output which corresponds to the point where MR = 0.

What objective is the firm achieving?

A maximising consumer surplus

B maximising profit

C maximising sales

D maximising revenue

8 What is a potential benefit of the privatisation of a country's railway services?

A higher levels of competition

B higher costs passed on in the form of higher prices

C opportunity for government regulation

D potential for a private monopoly

9 Which of these actions illustrates equality rather than equity?

A A firm that installs ramps to its workplace to improve the access for people with disabilities.

B A government subsidy on rice of $0.10 per kilo for all members of the public.

C A university admissions policy that offers places to students from disadvantaged socio-economic backgrounds.

D An income tax system where high-income earners pay a higher percentage of income as tax.

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10 There is a decrease in the supply of female labour.

What will the likely effect on male and female wages be?

	male wages	female wages
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

11 A government introduces a national minimum wage.

What is **not** a benefit of this to the economy?

A It boosts the morale of workers and enhances labour productivity.

B It raises incomes of poorer workers.

C It reduces government spending on welfare payments.

D It reduces structural unemployment.

12 An increase in which variable would shift the supply curve for farm workers to the right?

A job security

B the hourly wage rate

C the productivity of farm workers

D the qualifications required

13 Which combination of policies is most likely to reduce the number of low-paid workers caught in the poverty trap?

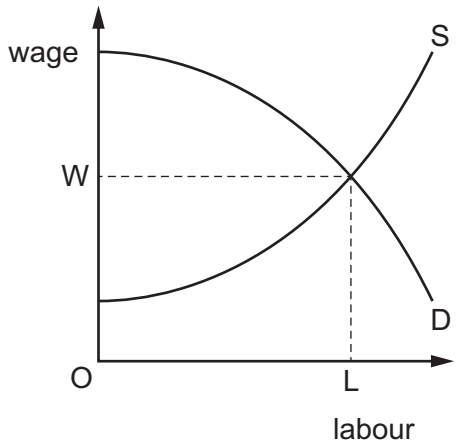
	individual's tax-free allowance for income tax	national minimum wage in real terms
A	decrease	increase
B	decrease	unchanged
C	increase	increase
D	increase	unchanged

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14 The diagram represents the demand and supply of labour in a competitive industry.



What is true about unit of labour L when they are paid wage W?

A L is paid only economic rent.

B L is paid an element of economic rent and transfer earnings.

C L is paid below transfer earnings and leaves the industry.

D L is paid exactly transfer earnings and remains in work.

15 What leads to an inflationary gap?

A Aggregate demand is greater than the maximum potential output of the economy.

B Investment increases at a greater rate than profits received by a firm.

C The economy is operating below its full capacity.

D Innovation results in increased productivity in the economy.

16 An open economy has a positive output gap.

What is likely to be decreasing?

A expenditure on imports

B leisure time of workers

C nominal wage rates

D the general price level

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17 In a two-sector economy, autonomous consumer expenditure increases by $100 billion, autonomous investment expenditure increases by $200 billion, and the marginal propensity to consume is 0.5.

What will the increase in National Income be?

A $150 billion

B $300 billion

C $450 billion

D $600 billion

18 Which government policy is least likely to promote inclusive economic growth?

A increasing the national minimum wage

B investment in transport and infrastructure

C legislation reducing the power of trade unions

D using taxes and transfer payments to redistribute income

19 What is an example of a demand-side macroeconomic policy that would reduce cyclical unemployment?

A an increase in government spending on new infrastructure such as roads

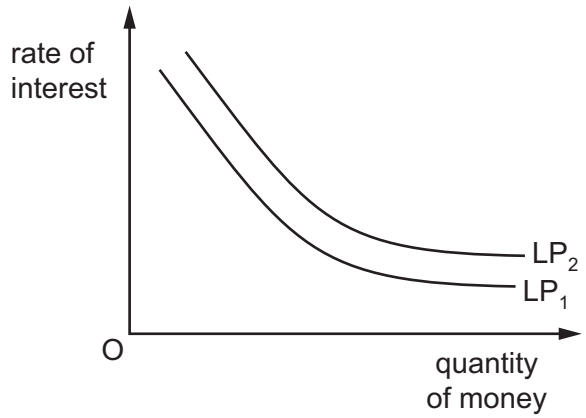
B an increase in government spending on retraining workers

C a reduction in the rate of tax on imports

D an increase in the rate of tax on goods and services

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20 The diagram shows two liquidity preference curves LP_1 and LP_2.



What would cause the liquidity preference curve to shift from LP_1 to LP_2?

A There has been a fall in national income.

B There has been a rise in the general price level.

C There has been an increase in government borrowing.

D There has been an increase in the rate of interest.

21 What does the Phillips curve show?

A the relationship between economic growth and employment

B the relationship between inequality and income per capita

C the relationship between inflation and unemployment

D the relationship between prices and national income

22 A government is aiming to increase the role of market forces.

Which policy might achieve this?

A deregulation

B nationalisation

C price controls

D production quotas

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23 A country has a progressive income tax system.

What is **not** a valid reason for a government's decision to reduce the rate of income tax paid on higher incomes?

A to attract highly skilled workers from abroad

B to prevent tax evasion

C to provide work incentives

D to reduce income inequalities

24 A political party proposed a policy of quantitative easing (the creation of money by the central bank).

When would such a policy be least likely to destabilise the macroeconomy in the short run?

A when the economy was experiencing a high level of inflation

B when the economy had price stability but there was full employment of the labour force

C when there was a deep recession with high levels of unemployment

D when there was full employment and a current account balance of payments deficit

25 What does the Laffer curve show?

A the amount of tax revenue received at each tax rate

B the impact on the distribution of income after tax rates rise

C the rise in inflation following a fall in unemployment due to a cut in income tax

D the rise in poverty due to a rise in the basic rate of income tax

26 What are the variables identified on the axes of a Kuznets curve diagram?

	vertical (Y) axis variable	horizontal (X) axis variable
A	cumulative % of income	cumulative % of families
B	measure of inequality	income per capita
C	measure of standard of living	economic growth rate
D	income per capita	optimum population

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27 What might cause income inequality to worsen in a country?

A increased discrimination

B increased labour market participation

C increased skill level of workers

D increased welfare payments

28 A multinational company is planning to invest in a new factory in a low-income country.

What is **not** a possible benefit to the low-income country?

A acquiring improved technology

B better training for the workforce

C extra tax revenue for the government

D increased competition for small domestic producers

29 A country with fixed exchange rates faces a surplus on its current account.

Which policy is most desirable to maintain the fixed exchange rate?

A an increase in subsidies given to exporters

B the imposition of trade barriers on the import of non-essential goods

C the sale of foreign currencies in the foreign exchange market

D the use of expansionary monetary policy

30 Which criticism of foreign direct investment (FDI) is **least** valid?

A It encourages competition, reduces prices and forces the less efficient domestic firms to leave the market.

B It brings workers from its own country and provides only low paying jobs to low skilled local workers.

C It is usually withdrawn quickly in case of a global crisis, making developing countries more vulnerable to global shocks.

D Its actions often result in environmental degradation, and over exploitation of natural resources.

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