GradeMax

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/32**

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 is the definition of moral hazard?

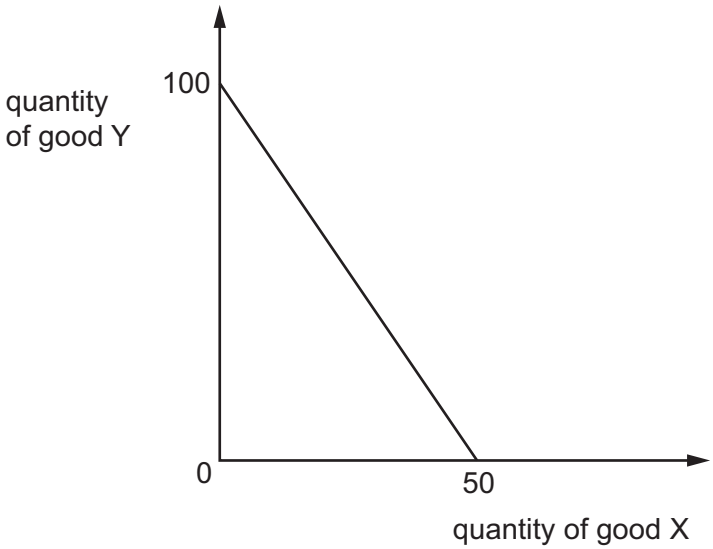
A An increase in the likelihood of taking risks because another party is paying for these risks.

B The loss of social welfare arising from the consumption of a good.

C When buyers and sellers have different amounts of information regarding product quality.

D When costs and benefits are taken into account when a decision is being made.

2 The diagram shows a consumer's budget line.



What determines the slope of the budget line?

A the marginal rate of substitution of good X for good Y

B the price of good X multiplied by the price of good Y

C the ratio of the price of good X to the income of the consumer

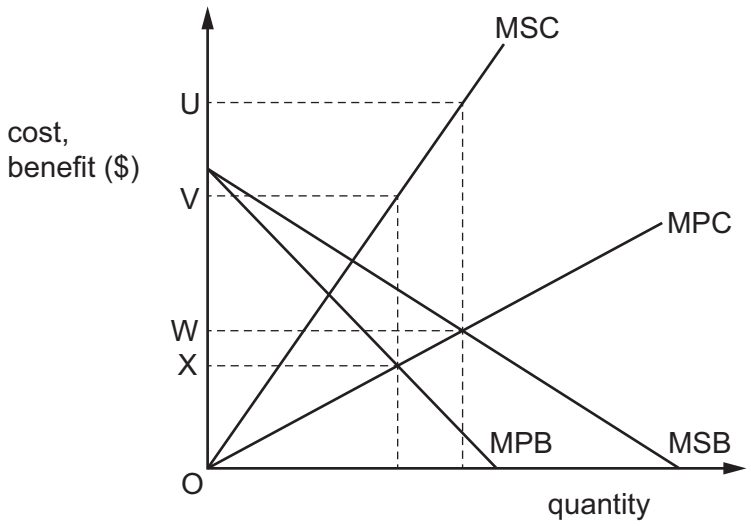
D the ratio of the price of good X to the price of good Y

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3 The diagram shows the marginal costs and marginal benefits of producing a good in a free market.

What is the marginal external cost when the free market is in equilibrium?



A UW **B** UO **C** VX **D** VO

4 A firm has very high fixed costs but low marginal costs of production. It experiences continuous economies of scale so that the minimum efficient scale is not reached until the firm is very large in relation to total market demand.

In which type of market structure would the firm operate?

A monopolistic competition

B monopsony

C natural monopoly

D oligopoly

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5 The table gives the marginal utility of two goods, X and Y. The price of good X is $2.00 and the price of good Y is $1.00.

quantity	marginal utility of good X	marginal utility of good Y
1	110	66
2	80	50
3	66	38
4	56	33
5	33	30

If a consumer spends all of their income on goods X and Y, which combination of goods would they choose to maximise their utility?

A 1 unit of X and 1 unit of Y

B 3 units of X and 1 unit of Y

C 3 units of X and 4 units of Y

D 5 units of X and 1 unit of Y

6 An economist undertakes a cost–benefit analysis of the pollution resulting from a manufacturing process.

Which outcome is most likely to guide any recommendation about the optimal level of manufacturing output?

A that the marginal social cost of manufacturing equals the marginal social benefit

B that the marginal cost of pollution is zero

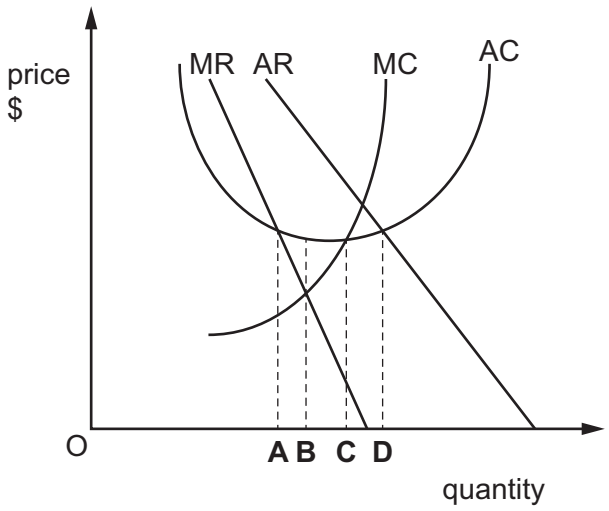
C that the total revenue of manufacturing equals the total cost

D that the total benefit of pollution is maximised

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7 The diagram shows the cost and revenue curves for a monopolist.

Which level of output represents sales maximisation?



8 What might help achieve allocative efficiency?

A differentiated products

B government subsidies

C monopsony

D supernormal profits

9 What is the essential feature of nudge theory?

A the aim of satisficing

B the establishing of a legal requirement

C the existence of a contestable market

D the idea of persuasion

10 A government has a policy where income tax is paid only after the first $20 000 of income has been earned.

What would make the government's policy more equitable?

A Decreasing the threshold for paying income tax to $10 000 for all taxpayers.

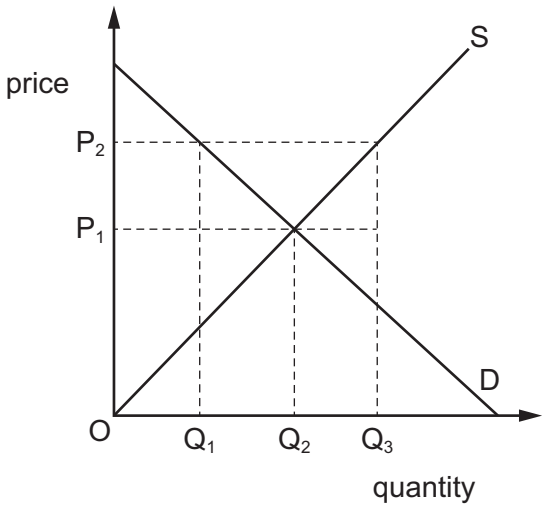
B Integrating the tax and welfare systems by introducing a negative income tax.

C Introducing universal benefits that are available to all citizens irrespective of wealth.

D Means testing all benefits so that they remain the same even if real incomes fall.

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11 A government introduces a maximum price for rice of P_2.



What is the effect of this?

A Government spending will increase.

B The price of rice will be unchanged.

C There will be a shortage of rice.

D There will be a surplus of rice.

12 A government intervenes to raise the wages of a group of workers to prevent their exploitation.

Where might such government intervention be justified?

A in an industry that is protected by tariffs on imports from abroad

B in an industry where a trade union negotiates wages for the workers

C in an industry where the output is produced by a single firm monopolist

D in an industry where workers are employed by a monopsonist

13 What is likely to reduce the domestic money supply?

A Banks being allowed to hold a lower liquidity ratio.

B Individuals choosing to hold more money in the form of idle balances.

C The government financing its budget deficit by borrowing from the banking sector.

D The government increasing its borrowing from other countries.

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14 The unemployment rate in an economy may continue to rise even after the economy has recovered from a recession.

Which explanation for this trend is **not** correct?

A Many foreign businesses have moved out of the country.

B The government has abolished the national minimum wage.

C An increase in net migration of low-skilled workers.

D Workers lose skills, making them less employable.

15 In which situation is expansionary fiscal policy **least** likely to be effective?

A inflation is below its target rate

B lack of confidence in the economy

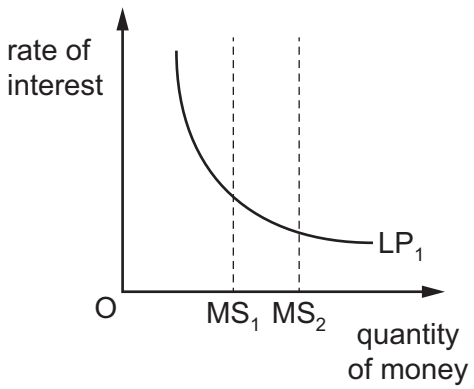
C there is a negative output gap

D unemployment is high

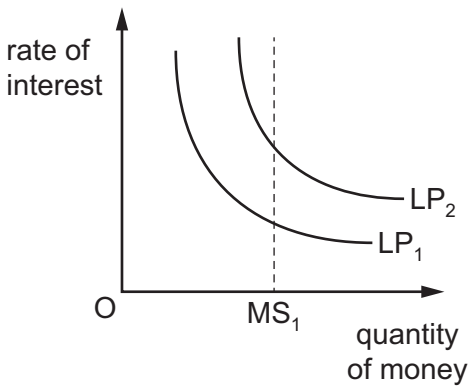
16 In these four diagrams, the money supply in an economy is initially at MS_1 and the demand for money is initially at LP_1.

Which diagram shows the effect of a policy of quantitative easing on the rate of interest?

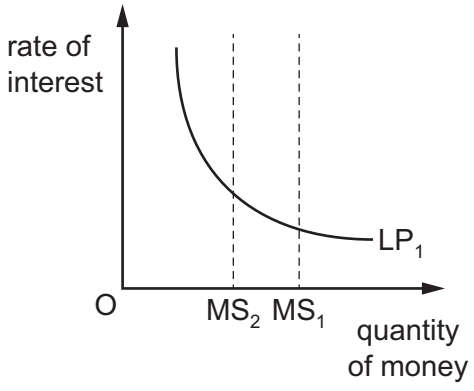
A



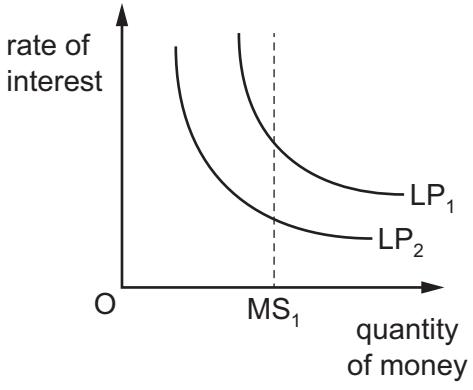
B



C



D



17 What is most likely to increase if an economy enters a negative output gap?

A business confidence

B economic growth rate

C inflation rate

D unemployment rate

18 A country with a managed exchange rate has a persistent deficit on the current account of the balance of payments. It devalues its currency to reduce this deficit.

Under which conditions will a devaluation help the government to achieve its four main macroeconomic objectives?

	Marshall–Lerner condition satisfied	level of employment
A	no	below full employment
B	no	full employment
C	yes	below full employment
D	yes	full employment

19 What would cause an individual's demand curve for an active money balance to move to the left?

A an increase in the frequency of income payments

B an increase in the general price level

C an increase in the individual's income

D an increase in the rate of interest

20 A government funds an increase in transfer payments to the unemployed by increasing the higher rate of income tax.

What is the most likely impact of this change?

A government borrowing increases

B the incentive to work increases

C the marginal propensity to consume increases

D the quantity of imports increases

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21 Which combination shows the most likely outcome if a government increases the level of direct taxation?

A balance of payments deteriorates and inflation increases

B economic growth increases and balance of payments improves

C inflation decreases and unemployment increases

D unemployment decreases and balance of payments improves

22 In an economy, the price elasticity of demand for imported raw materials is 0.3, and the price elasticity of demand for exports is also 0.3.

Following a depreciation of the economy's currency, what will the impact on inflation be?

	change in inflation rate due to cost-push factors	change in inflation rate due to demand-pull factors
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

23 A government is aiming to reduce the unemployment rate in its country from 10% to 5%.

What is a likely effect if this aim is achieved?

A a decrease in interest rates

B a slow down in the rate of economic growth

C an increase in demand for exports

D an increase in inflation

24 Which statement is correct?

A Economic development is necessary for economic growth.

B Economic growth and economic development are directly proportional.

C Economic growth enables economic development.

D Economic growth is always sustainable.

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25 What is a trade-weighted exchange rate?

A the price of one currency against a basket of other currencies

B the price of one currency in terms of another

C the price of one currency in terms of its real purchasing power

D the price of one currency being determined by state intervention

26 The United Nations gives aid to a developing country so it can purchase vaccinations manufactured in India.

How is this aid characterised?

	characteristic 1	characteristic 2
A	bilateral	tied
B	bilateral	untied
C	multilateral	tied
D	multilateral	untied

27 What is a protectionist policy a government may use to reduce the deficit on the balance of payments of the current account?

A revaluation of the exchange rate

B increase in the rate of income tax

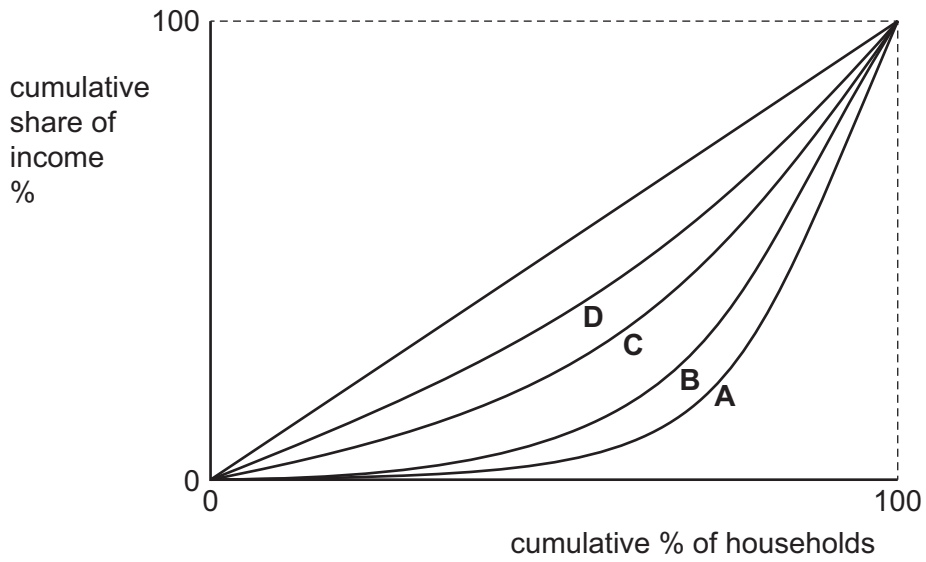
C increase in the rate of interest

D introduction of import quotas

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28 The diagram shows a Lorenz curve of the distribution of income of households for a country.

Which curve shows the most equal distribution of income of households?



29 An economy has a large surplus on the current account of its balance of payments. It revalues its currency. The current account of the balance of payments becomes a greater surplus in the short run. In the long run the surplus becomes smaller and eventually becomes a deficit.

What is the sum of the price elasticities of imports and exports in the short run and in the long run?

	short run	long run
A	greater than 1.0	greater than 1.0
B	greater than 1.0	less than 1.0
C	less than 1.0	greater than 1.0
D	less than 1.0	less than 1.0

30 What is **not** a characteristic of an emerging economy?

A an agricultural sector with a growing % of GDP

B high birth rates

C high potential for growth

D increasing access to education

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