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Cambridge Assessment International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/33**

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 Why would an economy wish to achieve economic efficiency?

**A** to achieve an equal distribution of income

**B** to achieve full employment

**C** to ensure resources are not wasted

**D** to ensure international competitiveness

2 A firm has set a low price in the short run to act as a barrier to entry for new firms entering the market.

This is an example of which pricing strategy?

**A** limit pricing

**B** predatory pricing

**C** price discrimination

**D** price leadership

3 A dentist is found to have charged patients for treatment they did **not** need.

What is the likely cause of this market failure?

**A** a minimum price

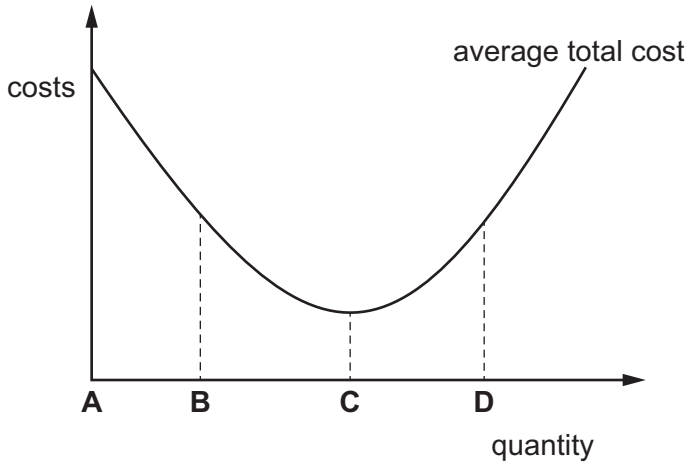
**B** asymmetric information

**C** non-excludability

**D** productive inefficiency

4 The diagram shows the average total cost for a firm.

At what level of output does marginal cost exceed average total cost?

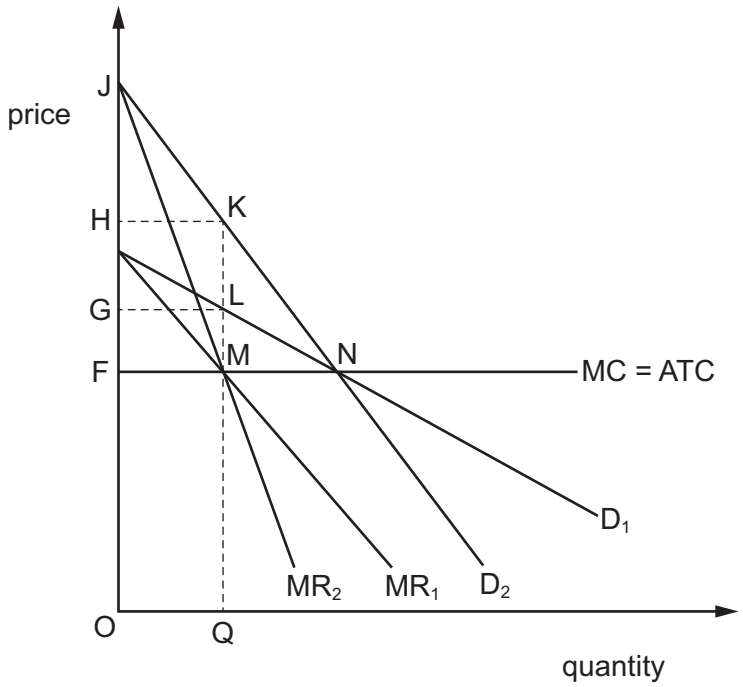



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**5** The diagram shows the effect of a demand curve shift from $D_1$ to $D_2$ for a profit maximising firm.




What has happened to the firm's total revenue and the deadweight welfare loss?

| | total revenue | deadweight welfare loss |
|---|---|---|
| **A** | decreases to OGLQ | decreases by KLN |
| **B** | decreases to OGLQ | increases by KLN |
| **C** | increases to OHKQ | decreases by KLN |
| **D** | increases to OHKQ | increases by KLN |

**6** A firm sells 10 000 units per month at a price of $10. The firm's total fixed cost is $40 000 per month. The firm makes only normal profit.

What is the average variable cost for this output?

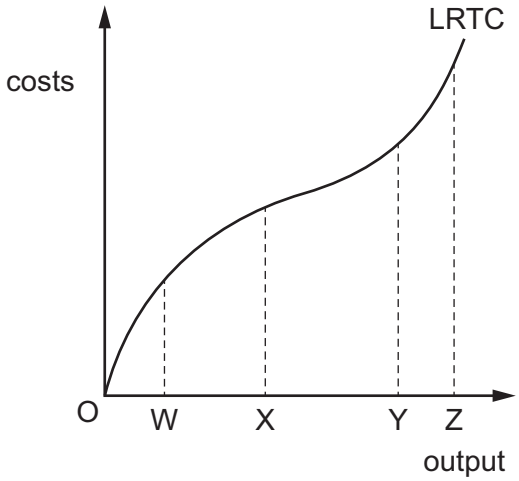
**A** $2.00 **B** $4.00 **C** $6.00 **D** $8.00

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**[Turn over**

**7** The diagram shows the long-run total cost (LRTC) curve of a firm.




At which output is the long-run average total cost at its minimum?

**A** OW **B** OX **C** OY **D** OZ

**8** Assuming there are no externalities, where would a nationalised firm set output to maximise social welfare?

**A** where average revenue equals average cost

**B** where average revenue equals marginal cost

**C** where marginal revenue equals marginal cost

**D** where marginal revenue is zero

**9** There has been an increase in labour productivity.

Which combination of effects is most likely?

| | shift of demand curve for labour | shift of supply curve for labour | effect on wage rate |
|---|---|---|---|
| **A** | none | inward | increase |
| **B** | none | outward | decrease |
| **C** | inward | none | increase |
| **D** | outward | none | increase |

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**10** Which method of government intervention may correct market failure caused by the under-consumption of a merit good?

**A** minimum price

**B** privatisation

**C** indirect taxation

**D** subsidy

**11** Some governments introduce rent controls (maximum prices) on houses rented from private landlords. They impose such rent controls to improve living standards for individuals with low incomes.

What might be the effects of rent controls in the long run?

**A** The long-run supply of rental houses will contract.

**B** The number of unoccupied privately rented houses will increase over time.

**C** The price of owner-occupied houses will increase.

**D** There will be no effect on the supply of rental housing.

**12** To reduce the damage done by cigarette smoking, the government of a country increases the indirect tax on cigarettes and makes it illegal to smoke in public.

Which combination of circumstances is most likely to result in government failure in its attempt to reduce the damage done by cigarette smoking?

| | price elasticity of demand for cigarettes | government spending on law enforcement |
|---|---|---|
| **A** | > 1 | high |
| **B** | > 1 | low |
| **C** | < 1 | high |
| **D** | < 1 | low |

**13** Which stage of the business (trade) cycle is most likely to be characterised by an increasing negative output gap?

**A** boom

**B** recession

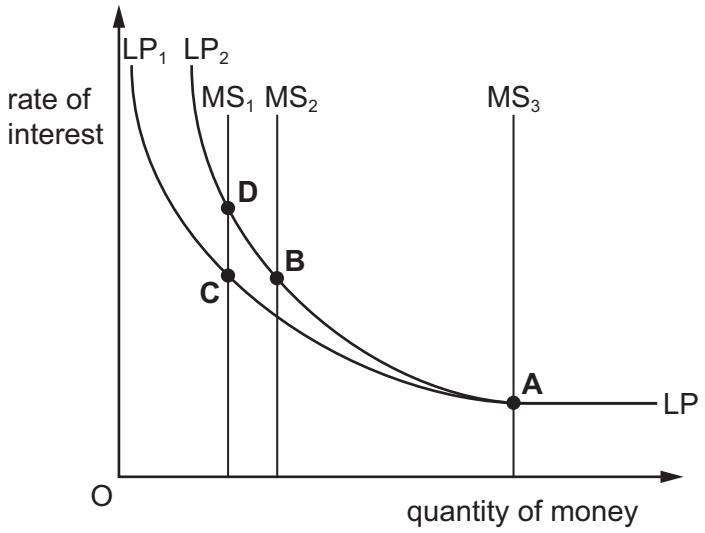
**C** recovery

**D** trough

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**14** Sometimes monetary policy is ineffective. The supply of money (MS) is assumed to be controlled by the central bank. The demand for money is LP. There has been an increase in real income in the economy.

Which position on the diagram makes expansionary monetary policy ineffective?




**15** Which policy is most likely to lead to a reduction in the natural rate of unemployment?

**A** an increase in government expenditure on goods and services

**B** an increase in government expenditure on training schemes to address skill shortages

**C** an increase in the period when the unemployed are eligible for welfare benefits

**D** an increase in the minimum wage

**16** On a diagram showing a production possibility curve, what definitely represents long-run economic growth?

**A** a change in the slope of the curve

**B** a movement from a point below the curve to a point on the curve

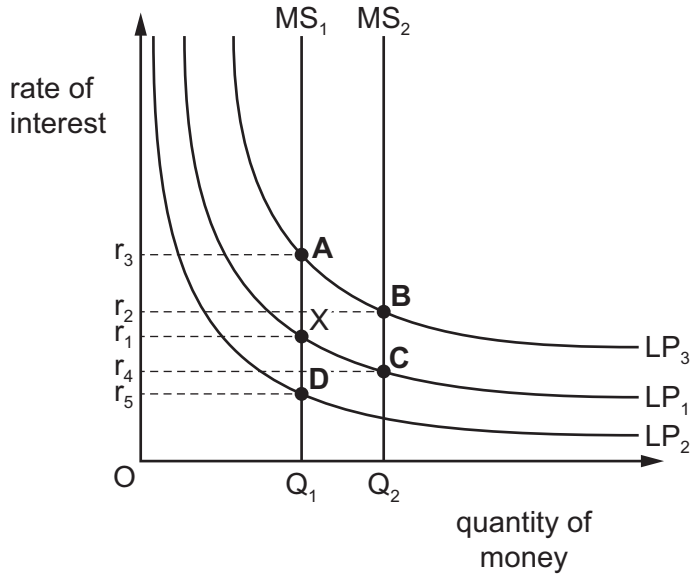
**C** a movement from one point to another along a given curve

**D** an outward shift of the curve

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**17** The diagram shows equilibrium in the money market at point X.

If there is an increase in the level of income in the economy, which point shows the new equilibrium in the short term?




**18** Which combination of policies is most likely to reduce cyclical unemployment but might increase frictional unemployment?

| | direct taxes | unemployment benefits |
|---|---|---|
| **A** | decrease | decrease |
| **B** | decrease | increase |
| **C** | increase | decrease |
| **D** | increase | increase |

**19** What would cause the short-run Phillips curve to shift to the right?

**A** the unemployment rate is above the natural rate of unemployment, decreasing inflationary expectations

**B** the unemployment rate is above the natural rate of unemployment, increasing inflationary expectations

**C** the unemployment rate is below the natural rate of unemployment, decreasing inflationary expectations

**D** the unemployment rate is below the natural rate of unemployment, increasing inflationary expectations

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**20** Which macroeconomic policy is most likely to be used as a long-run means of reducing inflationary pressures?

**A** exchange rate policy

**B** fiscal policy

**C** supply-side policy

**D** monetary policy

**21** The table identifies pairs of possible government aims. The achievement of aim 1 needs to be consistent with the achievement of aim 2.

Which row shows the combination where both aims are likely to be achieved.

| | aim 1 | aim 2 |
|---|---|---|
| **A** | higher foreign exchange rate | lower rate of unemployment |
| **B** | low rate of inflation | current account surplus |
| **C** | more even distribution of income | higher rate of saving |
| **D** | rapid economic growth | sustainable economic development |

**22** The central bank of an economy decreases the money supply in an attempt to reduce inflation.

Under which conditions is this policy most likely to be effective?

| | exchange rate | responsiveness of aggregate demand to interest rate changes |
|---|---|---|
| **A** | fixed | low |
| **B** | fixed | high |
| **C** | floating | low |
| **D** | floating | high |

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**23** A government reduces both the income tax paid by all earners and the amount of means-tested benefits paid to those receiving low or no incomes.

What is most likely to be its objective?

**A** a more equitable income distribution

**B** a reduction in the rate of inflation

**C** a reduction in the trade deficit

**D** an increase in the rate of economic growth

**24** What is **not** a likely feature of a customs union?

**A** common external tariffs with non-member nations

**B** elimination of tariffs between member nations

**C** elimination of quotas between member nations

**D** shared common currency among member nations

**25** A central bank officially lowers the price of its currency relative to an agreed rate in terms of other currencies.

What type of central bank policy is this?

**A** appreciation

**B** depreciation

**C** devaluation

**D** revaluation

**26** Which combination of events would cause the biggest increase in real GDP per capita?

| | GDP | population | general price level |
|---|---|---|---|
| **A** | rises | falls | falls |
| **B** | rises | falls | rises |
| **C** | rises | rises | falls |
| **D** | rises | rises | rises |

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**27** A low-income country receives aid from a high-income country.

When will this aid give maximum benefit in the long term to the low-income country?

| | type of aid | purpose of the aid |
|---|---|---|
| **A** | grant | purchase of agricultural machinery |
| **B** | grant | payment of food subsidies |
| **C** | loan | purchase of agricultural machinery |
| **D** | loan | payment of food subsidies |

**28** Which variable is included in the calculation of **both** the Human Development Index (HDI) and the Multidimensional Poverty Index (MPI)?

**A** child mortality rate

**B** gross national income (GNI) per capita

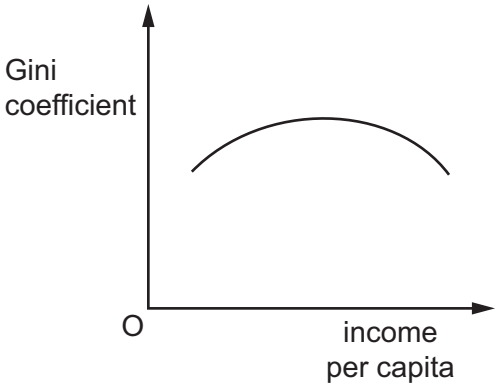
**C** life expectancy at birth

**D** years of schooling

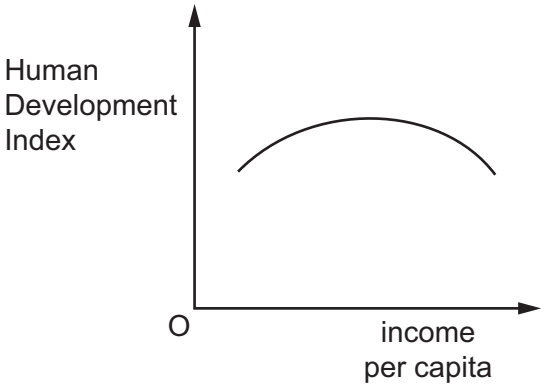
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**29** Which diagram is **not** an example of a Kuznets curve?

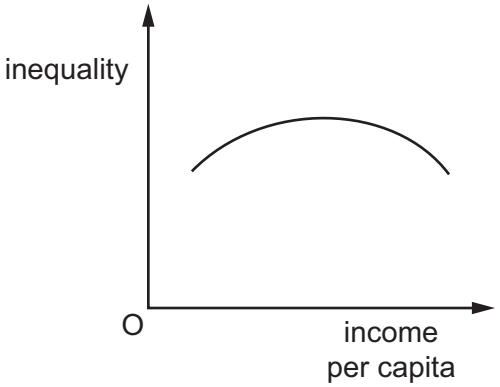
**A**



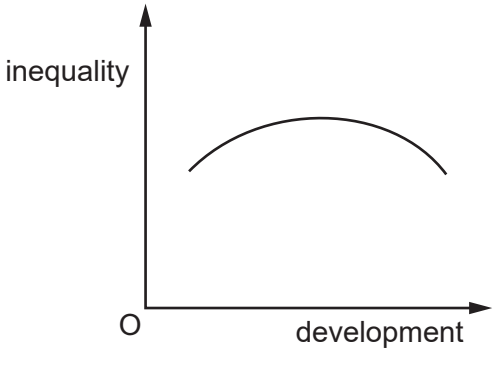

**B**




**C**




**D**




**30** The table shows the value of the Gini coefficient for an economy from 2018 to 2020.

| year | Gini coefficient |
|---|---|
| 2018 | 0.29 |
| 2019 | 0.28 |
| 2020 | 0.27 |

What is most likely to explain the change in the value of the Gini coefficient between 2018 and 2020?

**A** an increase in indirect taxes

**B** an increase in long-term unemployment

**C** an increase in the national minimum wage

**D** an increase in population

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