Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/34**

Paper 3 A Level Multiple Choice **May/June 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)

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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.

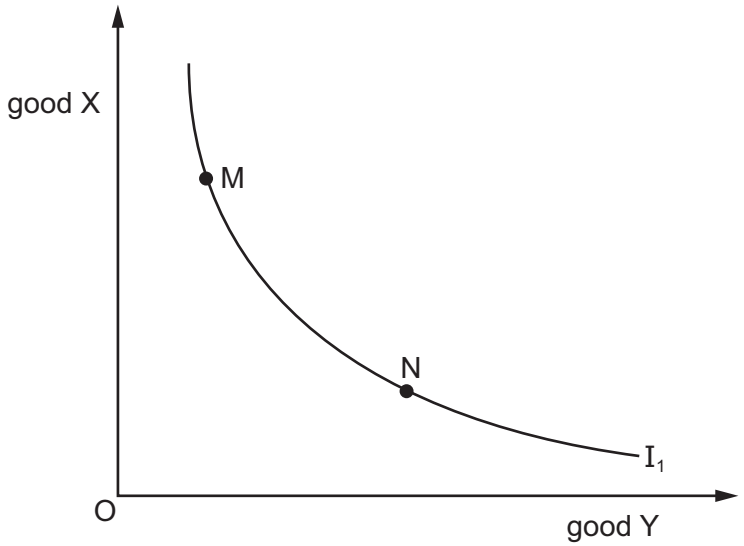
INFORMATION

- 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.

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1 The diagram shows a consumer's indifference curve (I_1) for two goods, X and Y.



The consumer moves from point M to point N.

What happens to the consumer's marginal utility and total utility as a result of this move?

	marginal utility from good X	marginal utility from good Y	total utility
A	decreases	increases	increases
B	decreases	decreases	unchanged
C	increases	decreases	unchanged
D	increases	unchanged	decreases

2 What is the most likely combination of circumstances leading to a good being under-consumed?

	the good is a demerit good	there are external benefits in consumption
A	no	no
B	no	yes
C	yes	yes
D	yes	no

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3 Why does the lack of property rights cause an inefficient allocation of resources?

A Scarce resources are depleted because the owner has sold them too cheaply.

B Scarce resources are depleted because they had zero cost to the users.

C Scarce resources are under-allocated to the provision of demerit goods.

D Scarce resources are under-allocated to the provision of merit goods.

4 A cost–benefit analysis is carried out on the construction of a hydroelectric power station.

Under which circumstances would the scheme be most likely to be approved?

A Private benefits are greater than private costs.

B Social benefits are greater than social costs.

C Social benefits are greater than external costs.

D External costs are greater than external benefits.

5 Which type of market structure enables price leadership to take place?

A monopolistic competition

B oligopoly

C perfect competition

D pure monopoly

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6 The tables show the market share of the five largest firms in two separate industries.

industry X	
firm	market share %
E	32
F	26
G	22
H	10
J	5

industry Z	
firm	market share %
L	17
M	15
N	14
P	12
R	6

What does this data suggest is most likely?

A Industry X is highly contestable.

B Industry X is oligopolistic.

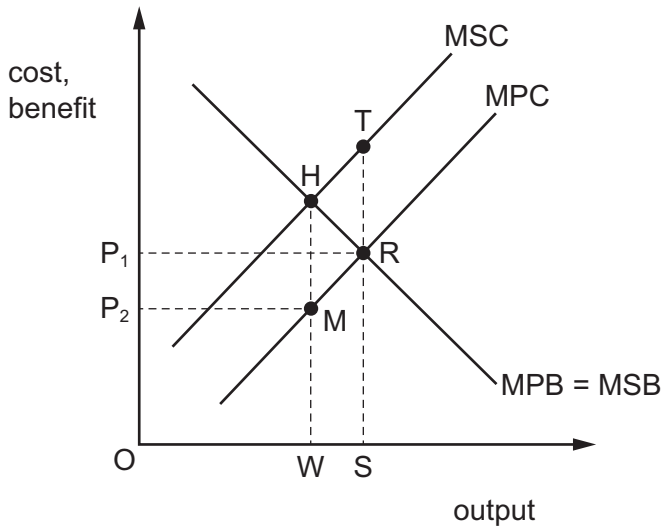
C Industry Z has a lower level of output than industry X.

D Industry Z is less competitive than industry X.

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7 The diagram shows the private and social marginal costs and benefits of a manufacturer.

The current equilibrium is at point R.



What should the government do to improve allocative efficiency and produce at the socially optimal level of output?

A introduce a subsidy TR

B introduce a specific tax HM

C set a maximum price of OP_1

D set a minimum price of OP_2

8 A government wishes to discourage tax avoidance.

Which policy to achieve this would be an example of the behavioural approach of nudge theory?

A compelling direct tax deduction by employers

B making random inspections of individual tax records

C providing information on how the tax is spent by the government

D using penalties such as fines and imprisonment for tax avoidance

9 What indicates that a more equal distribution of income has been achieved?

A a faster rate of economic growth

B a higher Human Development Index

C a lower Gini coefficient

D a lower tax/GDP ratio

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10 Which policy by a government would increase the negative externalities that result from cigarette smoking?

A a ban on cigarette advertising

B a ban on cigarette smoking in public places

C a ban on substitutes for cigarettes

D a ban on the sale of cigarettes

11 What determines the amount by which employment is reduced if a minimum wage is set 5% above the equilibrium market wage?

A the average revenue product curve

B the marginal revenue product curve

C the mobility of labour

D the wage rate in other industries

12 What will increase the power of a trade union, allowing it to increase wages without reducing the employment of its members in a particular industry?

A The economy is experiencing a fall in the price of capital.

B The economy is experiencing rising employment.

C The price elasticity of demand for the industry's goods is equal to 1.

D The price elasticity of demand for the industry's goods is greater than 1.

13 In a closed economy with no government, the level of consumption spending is determined by the equation $C = a + bY$.

What does b represent in this equation?

A autonomous consumption

B autonomous investment

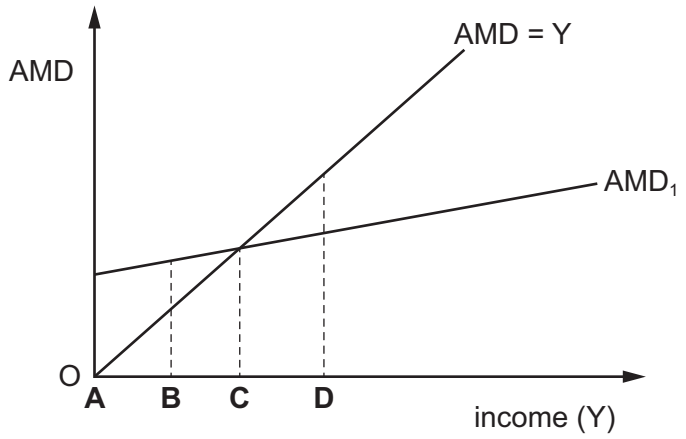
C the average propensity to consume

D the marginal propensity to consume

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14 The diagram shows an economy's aggregate monetary demand curve, AMD_1.

Which level of income will produce the greatest difference between autonomous and induced expenditure?



15 According to the accelerator theory, what would cause investment in an economy to be lower than in the previous year?

A a lower marginal propensity to consume than in the previous year

B a lower marginal propensity to save than in the previous year

C a smaller fall in national income than occurred in the previous year

D a smaller rise in national income than occurred in the previous year

16 What is the best description of sustainable economic development?

A a long-term increase in the actual output of an economy

B a long-term increase in living standards without damage to the environment

C a long-term increase in the productive potential of an economy

D a long-term increase in the living standards of every member of society

17 What is **least** likely to increase the natural rate of unemployment?

A a decrease in information about vacancies

B a decrease in trade union power

C an increase in unemployment benefits

D an increase in immigration

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18 In Keynesian economic theory, what is the purpose of interest?

A to bring national income and expenditure into line

B to control the level of economic growth

C to create a balance between savings and investment

D to provide a reward for surrendering liquidity

19 The quantity theory of money is sometimes represented by the equation MV = PT.

Which statement is **not** correct?

A M is a measure of the total value of notes and coins in circulation in the country.

B P measures the average level of prices in the country.

C T stands for the quantity of real transactions during the year.

D V represents the number of times a unit of money is spent during a given time period.

20 A country is experiencing high unemployment, high inflation and a trade deficit.

Which policy is most likely to solve all of these problems?

A devaluation of the currency

B export subsidies

C lower interest rates

D tariffs on imports

21 The United States government has been using a policy of quantitative easing to increase economic growth.

What is the most likely effect of this policy on the internal and external value of the US dollar?

	internal value	external value
A	decreases	decreases
B	decreases	increases
C	increases	increases
D	increases	decreases

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22 When will a balance of payments deficit create the most demand-pull inflationary pressure in an economy with a floating exchange rate?

	price elasticity of demand for exports	unemployment rate
A	elastic	high
B	elastic	low
C	inelastic	high
D	inelastic	low

23 The table gives an economy's unemployment rate and inflation rate for a five-year period.

year	unemployment rate %	inflation rate %
1	7.6	2.6
2	6.2	1.6
3	5.8	1.8
4	5.9	2.0
5	5.8	2.0

Which change between consecutive years was in agreement with the Phillips curve analysis?

A year 1 to year 2

B year 2 to year 3

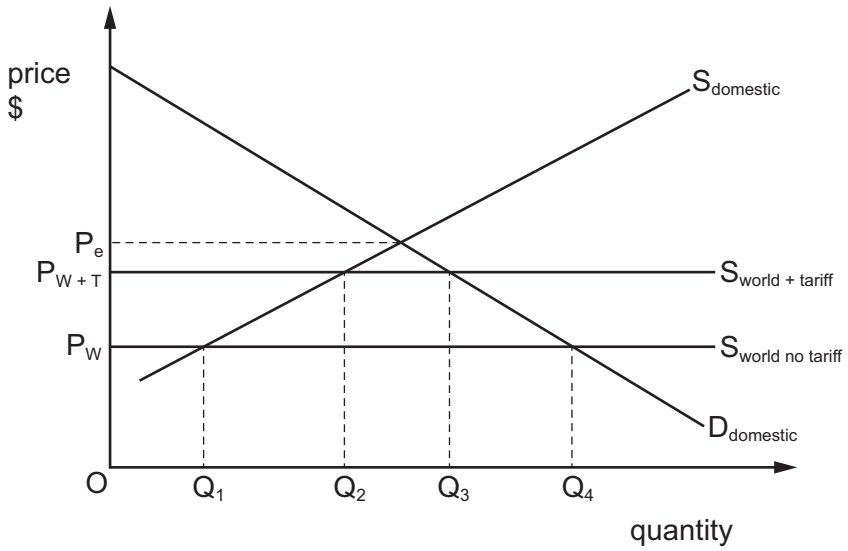
C year 3 to year 4

D year 4 to year 5

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[Turn over

24 The diagram shows the international trading position of a country that had tariffs on imports. The country removed the tariffs on imports.



What was the change in imports into this country resulting from the removal of the tariffs?

A Q_1Q_4

B $Q_1Q_4 – Q_1Q_2$

C $Q_1Q_4 – Q_1Q_3$

D $Q_1Q_4 – Q_2Q_3$

25 What would be the most effective long-term solution to a persistent deficit on the current account of the balance of payments?

A to increase borrowing from foreign financial institutions

B to persuade foreign firms to increase direct investment in the economy

C to revalue the currency to make it stronger on foreign exchange markets

D to reduce the reserves of foreign exchange to zero

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26 A country has a deficit on the current account of the balance of payments. The government can try to reduce this deficit by using either an expenditure-switching policy or an expenditure-reducing policy.

Under which conditions will an expenditure-reducing policy be more successful than an expenditure-switching policy?

	price elasticity of demand for imports	price elasticity of demand for exports	marginal propensity to import
A	0.2	0.2	0.1
B	0.2	0.2	0.4
C	0.6	0.2	0.1
D	0.6	0.6	0.4

27 The table gives the values for an economy's short-run and long-run elasticities of demand for exports and imports.

In which circumstance does depreciation lead to a J curve where the current account of the balance of payments worsens in the short run and improves in the long run?

	short-run elasticity of demand for exports	short-run elasticity of demand for imports	long-run elasticity of demand for exports	long-run elasticity of demand for imports
A	0.5	0.2	0.6	0.6
B	0.5	0.6	1.2	1.0
C	0.6	0.6	0.5	0.2
D	1.2	1.0	0.5	0.6

28 Which combination of characteristics is usually associated with a low-income country?

A high death rate and low levels of productivity

B high gross domestic product and low infant mortality

C low birth rate and a large proportion of income from primary industries

D low exports of capital and a large tertiary sector

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[Turn over

29 How would a depreciation of the currency of a low-income economy be most likely to affect its macroeconomic policy objectives?

	increasing the rate of growth	reducing the current account deficit	reducing the rate of unemployment
A	yes	no	yes
B	yes	yes	yes
C	yes	yes	no
D	no	yes	yes

30 What is **least** likely to improve as a result of the decision by high-income countries to increase their aid to low-income countries?

A exchange rate of low-income countries

B financial account of the balance of payments of low-income countries

C political relationships between high-income and low-income countries

D reserves of foreign currencies held by low-income countries

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