Cambridge International AS & A Level

ECONOMICS **9708/33**

Paper 3 A Level Multiple Choice **May/June 2026**

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 or tape.
- 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.

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1 What causes a market to fail and produce more than the optimum output of an economic good?

A the creation of monopoly power

B the presence of a negative externality

C the presence of a positive externality

D the presence of non-excludability

2 What is a characteristic of monopolistic competition?

A abnormal profits in the long run

B all firms charge the same price

C barriers to entry are high

D product differentiation

3 During a recession, two holiday companies agree to join together and become a single company to improve their chances of survival.

How would this be described?

A a forward vertical merger

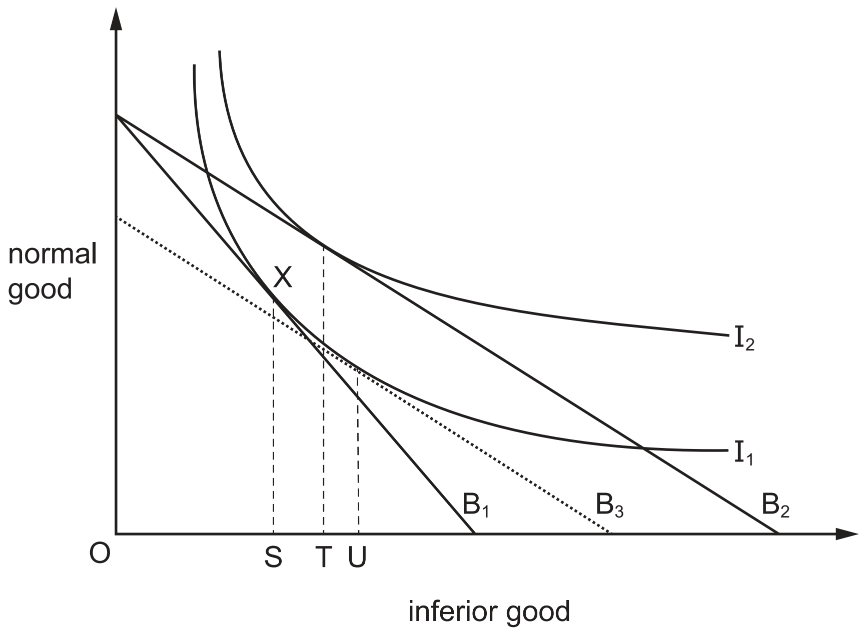
B a forward vertical takeover

C a horizontal merger

D a horizontal takeover

4 A consumer spends all of their income on two goods, one of which is a normal good and the other an inferior good.

The position of the consumer's budget line is initially at B_1 and utility is maximised at point X on indifference curve I_1.



What are the income and substitution effects of a fall in the price of the inferior good?

	income effect	**substitution effect**
A	fall in quantity from U to T	rise in quantity from S to U
B	rise in quantity from S to T	rise in quantity from T to U
C	rise in quantity from S to U	fall in quantity from U to T
D	rise in quantity from T to U	rise in quantity from S to U

5 During a year, airline fuel prices fell by 20.4%, while the rent of passenger aircraft increased by around 1.1%.

Assuming no other changes in the passenger airline industry, what was the outcome for fixed costs and variable costs?

	fixed costs	**variable costs**
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

6 Marginal utility theory measures consumer satisfaction and concludes that the value of marginal utility a consumer places on a good will determine the price they are willing to pay for that good.

The price of a bottle of water, which is vital for human survival, is less than the price of luxuries, such as designer clothing.

Which statement is **least** likely to explain this?

A different consumers have different marginal utilities for the same good

B money does **not** measure utility accurately

C price is better at measuring the value of exchange than the value of satisfaction

D price is determined by both marginal utility and marginal cost

7 In a market system, a good creates a negative production externality and a positive consumption externality.

When will the market equilibrium achieve an allocatively efficient output of the good?

A when the marginal external cost = the marginal external benefit

B when the marginal external cost > the marginal external benefit

C when the marginal external cost < the marginal external benefit

D when the marginal private benefit = the marginal social benefit

8 Which curve describes the distribution of income or wealth within a population?

A the Kuznets curve

B the Laffer curve

C the Lorenz curve

D the Phillips curve

9 The price of oil fell dramatically. As a result, 65 000 jobs were lost in the oil industry.

How would this be represented on a diagram for the labour market for oil workers?

A a movement down the marginal revenue product curve

B a shift towards the horizontal axis of the marginal cost curve

C a shift towards the origin of the marginal revenue product curve

D a shift towards the vertical axis of the average cost curve

10 What is the most likely effect of a change in a competitive labour market to a monopsony market?

A decrease in trade union membership

B higher wage rates offered

C increased economic rent

D less labour employed

11 Households underestimate the benefits to their own health of a vaccination programme.

What is a behavioural economics policy measure designed to overcome market failure caused by this problem?

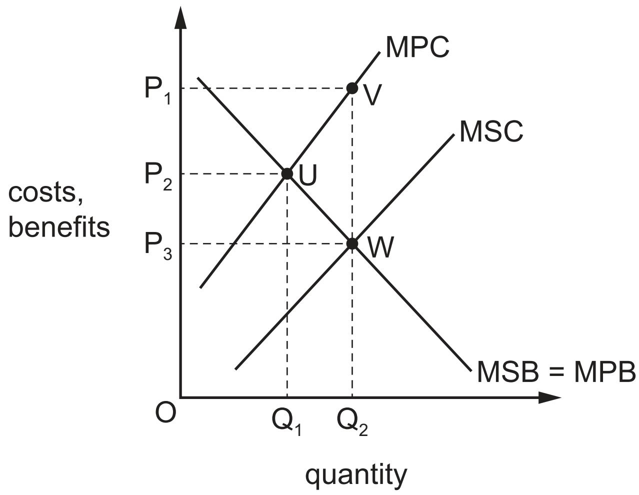
A a law requiring all individuals to be vaccinated

B a reduction in income tax for all vaccinated workers

C a subsidy to reduce the price of vaccinations

D advertisements showing celebrities being vaccinated

12 The diagram shows the costs and benefits of the production of a good. The firm is operating at output Q_1.



What would be necessary to move the production to the optimal level of output?

A introducing a subsidy of UW

B introducing a subsidy of VW

C setting a maximum price of P_2

D setting a minimum price of P_3

13 In 2008, the inflation rate reached more than 1 million % in Zimbabwe. This hyperinflation led to some Zimbabweans refusing Zimbabwean dollars as payment for goods and services.

Which characteristic of money does this mean the Zimbabwean dollar was losing?

A divisibility

B general acceptability

C intrinsic value

D legal tender

14 What is likely to result from a decrease in interest rates?

A a decrease in the price of government bonds

B a decrease in the velocity of circulation of money

C a decrease in the price of equities

D a decrease in the desire to hold money

15 The table gives the national income of a country over six years.

year	national income ($ billion)
1	2200
2	2240
3	2260
4	2280
5	2310
6	2350

According to the accelerator principle, in which year did net investment first rise to a level above that of the previous year?

A year 3 **B** year 4 **C** year 5 **D** year 6

16 What would increase the value of the multiplier?

A a decrease in the marginal propensity to consume

B a decrease in the marginal rate of tax

C an increase in the marginal propensity to import

D an increase in the marginal propensity to save

17 Which increase would lead to an immediate increase in national expenditure?

A interest rates

B private sector investment

C the budget surplus

D the savings ratio

18 In a closed economy, the equilibrium level of income is $25 million and the full employment level of income is $30 million.

The marginal propensity to consume is $\frac{4}{5}$.

What is the deflationary gap?

A $1 million

B $4 million

C $5 million

D $6.25 million

19 What is likely to result in an increase in nominal interest rates?

A a decrease in the rate of inflation

B a decrease in the government's budget deficit

C an increase in the rate of economic growth

D an increase in the propensity to save

20 In the short run, which policy measure would tend to reduce a country's current account of the balance of payments deficit but increase its inflation rate?

A a decrease in the level of import tariffs

B an appreciation of the country's currency

C an increase in the level of import tariffs

D a reduction in government spending

21 To increase the level of employment in the upturn of the trade cycle, a government pursues an expansionary economic policy.

What explains the resulting overheating of the economy?

A the emergence of supply bottlenecks

B the Laffer curve principle

C the operation of automatic stabilisers

D the underemployment of labour

22 A central bank seeks to prevent a country's currency from appreciating in value against the US dollar by intervening in the foreign exchange market.

What is likely to be a consequence of this action?

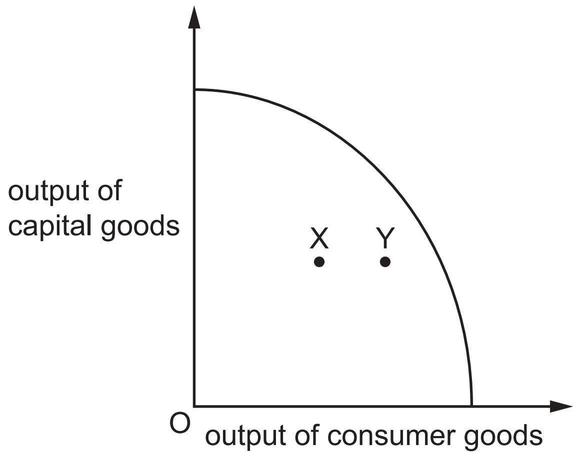
A a decrease in the country's reserves of US dollars

B an increase in the domestic money supply

C an increase in the government budget deficit

D a reduction in the current account surplus of the balance of payments

23 The diagram shows an economy's production possibility curve (PPC).



The government decreases income tax with the aim to increase employment without causing inflationary pressure in the economy.

When is this policy likely to be most effective?

	marginal propensity to consume	**position of the economy on the PPC diagram**
A	0.6	X
B	0.6	Y
C	0.8	X
D	0.8	Y

24 What would **not** cause the Phillips curve to shift?

A an increase in aggregate supply

B an increase in unemployment

C workers become less skilled

D workers expect inflation to rise

25 Iceland had a Human Development Index value of 0.95 in 2023.

What could explain this?

A Iceland had high gross national income per head.

B Iceland had high rates of environmental damage.

C Iceland had low average life expectancy at birth.

D Iceland had low rates of population growth.

26 Which characteristics of population, the informal economy and inflation would mean that Gross Domestic Product (GDP) is more likely to be an accurate indicator to compare the standard of living over time?

	population	size of informal economy	rate of inflation
A	rising	large	rising
B	rising	small	stable
C	stable	large	rising
D	stable	small	stable

27 Country J is a low-income country that specialises in growing and exporting coffee beans. It receives a money loan from a high-income country. It has to decide how to spend this money.

Which choice of spending will be most likely to reduce the external debt of country J in the short run?

A buying better fertilisers and machines for growing coffee beans

B paying higher wages to the workers growing coffee beans

C providing better housing for workers growing coffee beans

D setting up a buffer stock scheme for coffee bean farmers

28 Country X's living standards were compared with country Y's living standards using real GNP per head converted into US dollars. Country X was ranked above country Y.

Which factor might have caused this ranking to be **incorrect**?

A Market exchange rates were used rather than purchasing power parity exchange rates.

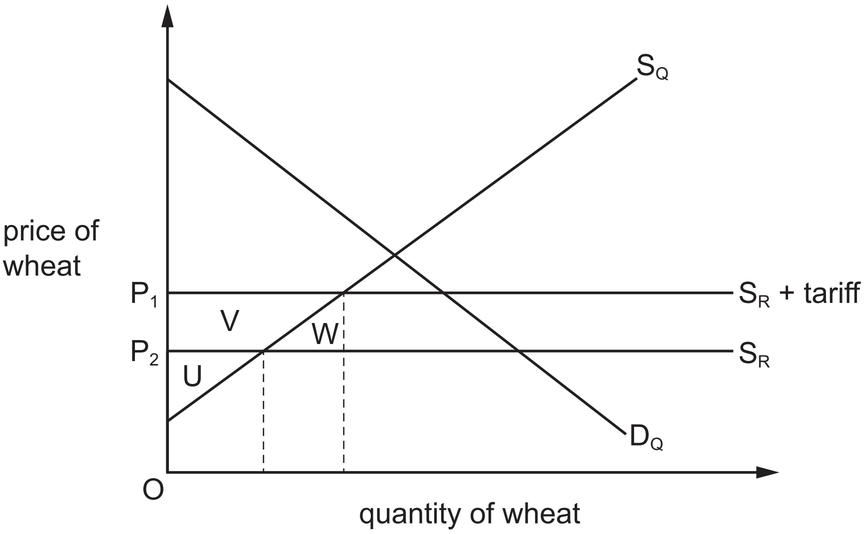
B Government spending on transfer payments was higher in country Y than in country X.

C Inflation was higher in country X than in country Y.

D The distribution of income was more equal in country X than in country Y.

29 Countries Q and R form a customs union and remove tariffs on the goods they trade with each other.

The diagram shows the effect of this on the market for wheat in country Q.



Which area shows the change in the producer surplus for suppliers of wheat in country Q?

A U + V **B** V + W **C** V **D** W

30 The following statistics are for country P and refer to year 1.

	%
GDP growth	5.7
population growth	2.0
rate of inflation	3.8

What was the approximate rate of growth of real GDP per capita for country P in year 1?

A 0% **B** 2% **C** 4% **D** 6%

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