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CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ECONOMICS **9708/02**

Paper 2 Data Response and Essay (Core)

May/June 2003

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for any diagrams, graphs, or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A
Answer this question.
Brief answers only are required.

Section B
Answer any **one** question.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.
You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

This document consists of **3** printed pages and **1** blank page.

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Section A

Answer this question.

1 **Malaysian Trade**

Tables 1 and 2 show selected data about Malaysia's international trade and were produced by the Department of Statistics and the Central Bank. Table 1 is valued in Malaysian ringgits (RM) and US dollars (US$). The figures in Table 2 are valued in Malaysian ringgits (RM).

Table 1 Current account balance

	(RM billions)		(US$ billions)	
	2000	2001*	2000	2001*
Current balance	31.2	22.1	8.2	5.8

Table 2 Exports and imports (RM billions) of visible items

	2000	2001*
Gross exports,	373.3	391.5
of which		
Manufactures	317.9	344.9
Minerals	26.8	20.8
Agriculture	22.9	20.0
Gross imports,	312.4	338.7
of which		
Capital goods	47.1	52.0
Intermediate goods	230.6	246.6
Consumption goods	17.4	18.8

*Forecasts

(a) **(i)** What change was forecast for the current balance between 2000 and 2001? [2]

(ii) How did the visible items, shown in Table 2, contribute to this change? [2]

(b) How might economic theory explain the composition of visible exports? [2]

(c) Should the Malaysian government be concerned about the figures for visible imports? [4]

(d) Identify **two** other pieces of data needed to calculate the overall balance of payments. [2]

(e) What happened to the ringgit/dollar exchange rate between 2000 and 2001? [2]

(f) Discuss whether an appreciation in the exchange rate of the ringgit would help the Malaysian government to control inflation and improve the current account. [6]

Section B

Answer **one** question.

2 **(a)** Explain the functions of price in a market economy. [10]

(b) Discuss whether the introduction of maximum prices by a government would solve the problem of scarcity. [10]

3 **(a)** Explain what influences the price elasticity of supply of a product. [8]

(b) Discuss whether farmers will benefit from producing goods which have low price elasticities of demand and supply. [12]

4 **(a)** Explain the difficulties of measuring inflation accurately. [8]

(b) Discuss whether inflation is necessarily harmful. [12]

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