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UNIVERSITY OF 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 2007**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

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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.
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 the question.
Brief answers only are required.
Section B
Answer any **one** question.
You may answer with reference to your own economy or other economies that you have studied where relevant to the 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.

This document consists of **4** printed pages.

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Section A

Answer this question.

1 The British Broadcasting Corporation

The British Broadcasting Corporation (BBC) is a world-famous radio and television broadcaster.

In 2005 the services the BBC provided to the UK were part of the public sector and financed mainly by a compulsory annual licence fee of £121 on those households owning a television. There were heavy fines for those who did not pay.

The BBC has an obligation to provide programmes that are educational and cultural, as well as the more popular programmes such as comedy and sport.

One economist has argued that the BBC should receive more finance, that BBC broadcasting is a public good, and that it has greater value for viewers than they have to pay for. To support his view he produced two diagrams. Fig. 1 shows the demand for BBC services among the 23 million television-owning households in the UK and Fig. 2 shows where this economist placed BBC broadcasting among a selection of public goods in 2005.

Fig. 1 Demand for BBC services in the UK

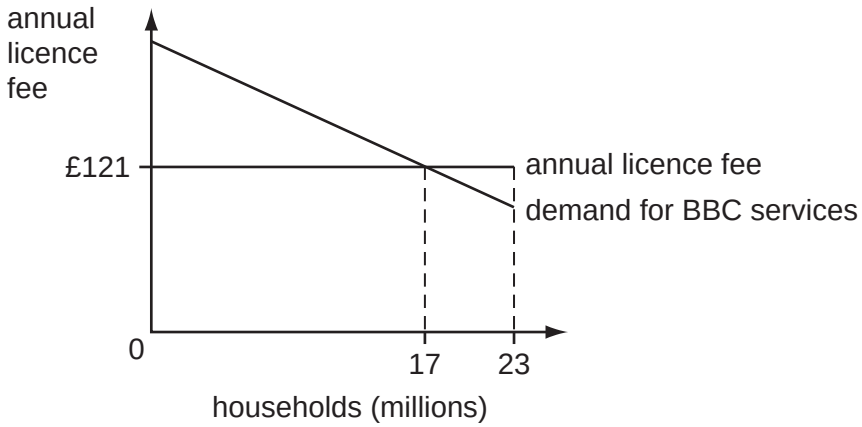
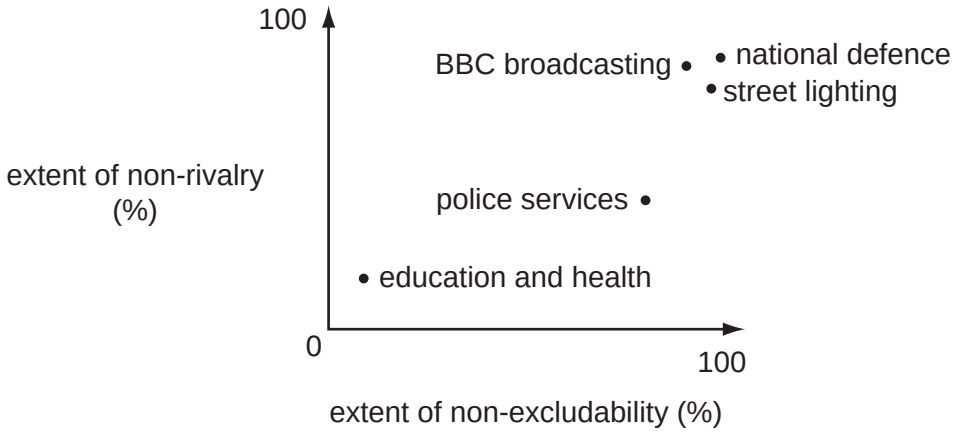


Fig. 2 Selected public goods



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(a) (i) Draw a production possibility curve to show the trade-off between the provision of educational and popular television programmes. Explain the possible effects if more money is available to the programme makers from increased licence fees. [3]

(ii) Explain how an increase in the licence fee to receive television programmes may affect the market for television sets. [4]

(b) How does Fig. 1 support the view that the BBC creates more value than viewers pay for? [4]

(c) (i) Comment on the relative positions in Fig. 2 of national defence and police services. [3]

(ii) Discuss whether it is correct to include education and health as public goods in Fig. 2. [6]

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Section B

Answer **one** question.

2 **(a)** Explain the contributions of enterprise and division of labour to an economy. [8]

(b) Discuss the desirability of the worldwide movement towards the market economy and away from the planned economy. [12]

3 **(a)** Explain how the rate of inflation is measured. [8]

(b) Discuss how a rapid rate of inflation might affect different groups within an economy. [12]

4 **(a)** Explain the difference between expenditure-switching and expenditure-dampening policies as a means of correcting a balance of payments disequilibrium. [8]

(b) Outline the current account position of your country or another economy you have studied. Discuss its ability to improve its performance on the current account. [12]

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Question 1 Fig. 1 & Fig. 2 © *The Independent.*

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