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Location Entry Codes

As part of CIE's continual commitment to maintaining best practice in assessment, CIE uses different variants of some question papers for our most popular assessments with large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions is unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiners' Reports that are available.

Question Paper	**Mark Scheme**	**Principal Examiner's Report**
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

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The titles for the variant items should correspond with the table above, so that at the top of the first page of the relevant part of the document and on the header, it has the words:

- First variant Question Paper / Mark Scheme / Principal Examiner's Report

or

- Second variant Question Paper / Mark Scheme / Principal Examiner's Report

as appropriate.

First Variant Question Paper

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

ECONOMICS **9708/21**

Paper 2 Data Response and Essay (Core) **May/June 2009**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

* 6 4 7 4 1 9 8 4 4 4 *

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 this 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.

IB09 06_9708_21/4RP
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UNIVERSITY of CAMBRIDGE International Examinations

[Turn over

Section A

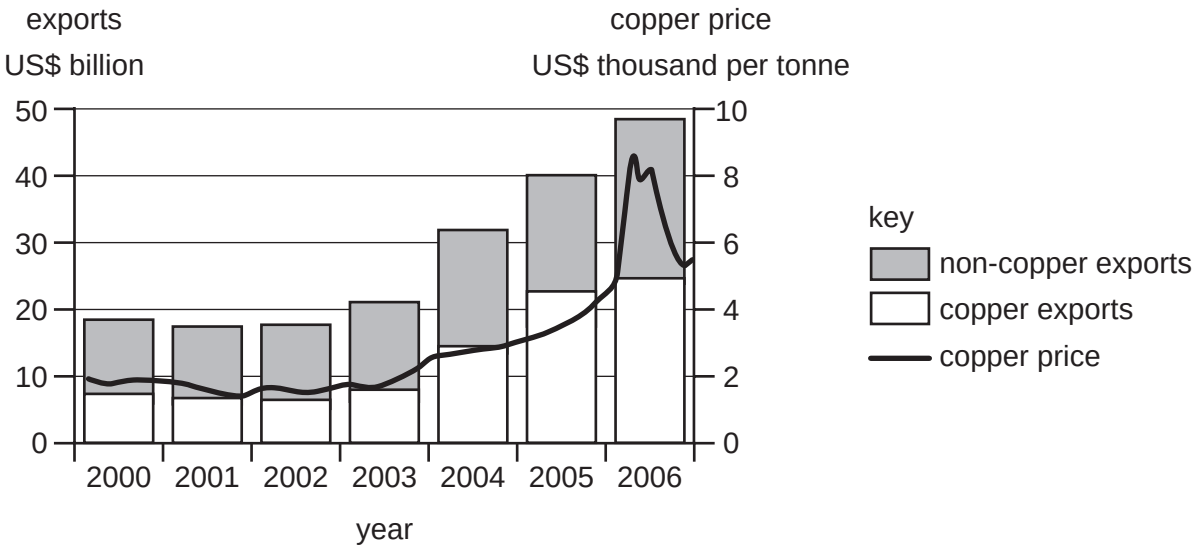
Answer this question.

1 The importance of copper production in Chile

Chile is a major producer and exporter of copper. For Chile, copper is a vital export and makes a major contribution to its trade. The Central Bank of Chile forecast a visible trade surplus of US$17 billion for 2006, two thirds higher than in 2005. Changes in world copper prices in 2006, a year of global growth, were an important influence on Chile's trade performance. However, one problem that Chile faced in 2006 was a strike for higher wages and better conditions at Escondida, the world's largest copper mine, where 8 % of world copper was mined.

Figure 1 shows the contribution of copper to Chile's export revenue and changes in world copper prices.

Fig. 1: Chile's export revenue and world copper prices, 2000-2006



(a) (i) Compare the price of copper in the middle of 2003 and the middle of 2006. [2]

(ii) Explain **one** change in demand and **one** change in supply that might have caused this movement in the price of copper. [4]

(b) (i) Calculate Chile's approximate visible trade balance in 2005. [2]

(ii) What information in addition to that in Fig. 1 would be required to calculate Chile's current account balance in 2006? [4]

(c) (i) How did the importance of copper as part of Chile's exports change between 2002 and 2005? [2]

(ii) Discuss whether it is desirable for a country to specialise in the production and export of a single good. [6]

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Section B

Answer **one** question.

2 **(a)** An economy can produce agricultural and industrial goods. Explain the possible effects on its production possibility curve if there is an increase in the productivity of its agricultural workers. [8]

(b) Discuss whether a market economy can solve the problem of scarcity more effectively than a command economy. [12]

3 **(a)** Explain, with the aid of a diagram, how consumer surplus will be affected by the introduction of an indirect tax. [8]

(b) Discuss the advantages and disadvantages of using indirect taxes to deal with the negative externalities associated with some products. [12]

4 **(a)** Explain why there can be problems for an economy if the internal value of its money is unstable. [8]

(b) Discuss whether it is possible to construct a consumer price index that is an accurate measure of changes in the cost of living for all households. [12]

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Second Variant Question Paper

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

ECONOMICS **9708/22**

Paper 2 Data Response and Essay (Core) **May/June 2009**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

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READ THESE INSTRUCTIONS FIRST

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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.

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 **3** printed pages and **1** blank page.

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Section A

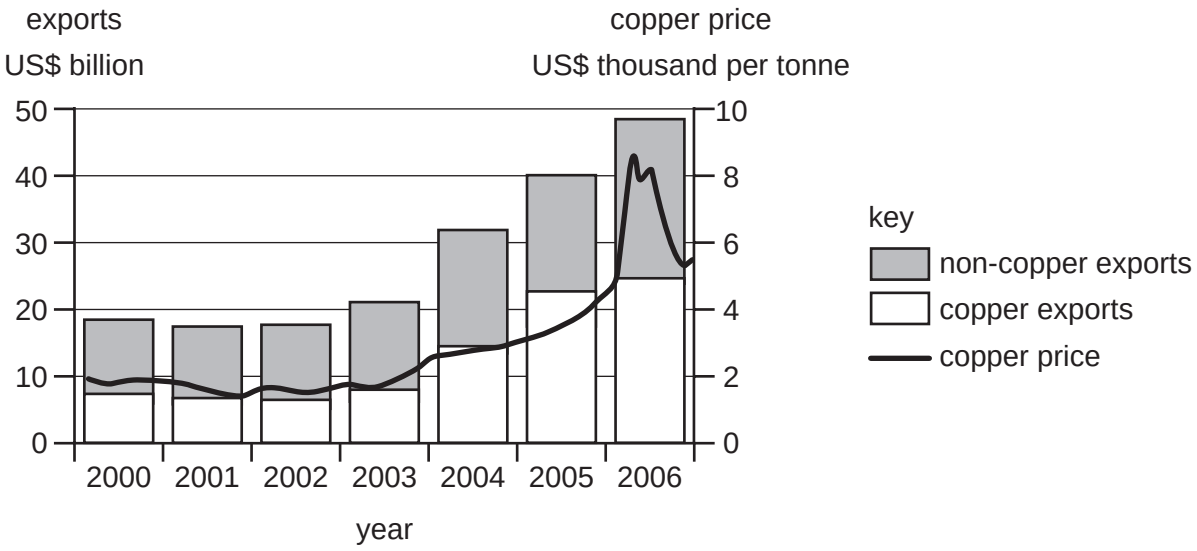
Answer this question.

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(c) (i) How did the importance of copper as part of Chile's exports change between 2002 and 2005? [2]

(ii) Discuss whether it is desirable for a country to specialise in the production and export of a single good. [6]

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Section B

Answer **one** question.

2 **(a)** Explain, with examples and diagrams, the effects of a decrease in incomes on the markets for normal and inferior goods. [8]

(b) Economists also classify goods in others ways. Discuss the extent to which an economist would classify a packet of cigarettes and a vaccination against influenza as similar types of good. [12]

3 **(a)** Explain, with the help of an example, the effects when a government introduces a maximum price for a good or service. [8]

(b) With the help of a diagram, discuss how desirable it is for a government to pay subsidies to producers. [12]

4 **(a)** Explain the 'infant industry' and anti-dumping arguments for the introduction of tariffs. [8]

(b) Discuss whether trade arrangements, such as the European Union or the South Asian Free Trade Area, encourage or discourage the benefits of free trade. [12]

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