Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 AS Level Data Response and Essays **February/March 2023**

2 hours

7896642777

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **three** questions in total:
  - Section A: answer Question 1.
  - Section B: answer **one** question.
  - Section C: answer **one** question.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.
- You may use a calculator.
- You may answer with reference to any economy you have studied where relevant to the question.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages.

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Section A

Answer this question.

1 Inflation in the United States (US)

Prices are rising much faster than expected across the world's economies, including the US.

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Some economists believe that interest rates in the US may need to rise from 0.25% to as high as 4.50% to 'cool' the economy and reduce the rate of inflation and that this is likely to happen sooner rather than later.

Source: Adapted from 'Boom and doom?', a briefing on inflation, The Economist 10 July 2021.

(a) Using Fig. 1.1, compare the US inflation rate between July and December 2020 with that between January and June 2021. [2]

(b) Using the information provided, explain what is meant by 'the US government's economic stimulus package'. [2]

(c) Consider the extent to which an increase in interest rates could reduce the rate of inflation in the US. [4]

(d) With the help of an AD/AS diagram, assess whether the rising inflation rate in the US has been caused by changes to the demand side or changes to the supply side of the economy. [6]

(e) Assess the possible consequences of a rising rate of inflation for a country such as the US. [6]

Section B

Answer **one** question.

EITHER

2 **(a)** Explain the functions of price in resource allocation **and** consider the importance of these functions in relation to the potential effectiveness of a market economy. [8]

(b) Assess whether all market economies should become mixed economies. [12]

OR

3 **(a)** Explain the possible economic reasons for inequality of income **and** consider whether inequality of income can benefit an economy. [8]

(b) With the help of a diagram, assess whether the introduction of a minimum price in a market can be justified. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** Explain the circular flow of income in a closed economy **and** consider the extent to which the circular flow of income changes as an economy becomes an open economy. [8]

(b) Assess whether the consequences of economic growth for an economy are always positive. [12]

OR

5 **(a)** With the help of a diagram, explain what is meant by an appreciation of a floating exchange rate **and** consider whether a country can only benefit from the appreciation of its currency. [8]

(b) Assess whether supply-side policies are the most effective way to correct a deficit on the current account of the balance of payments of an economy. [12]

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