Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **October/November 2018**

MARK SCHEME

Maximum Mark: 40

Published

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Question	Answer	Marks
1(a)	April 2015: 236.0 January 2016: 238.1 Increase of 2.1 divided by 236.0 = 0.88383% Accept answers of and between 0.8% and 0.9% 1 mark for use of the correct formula, but with an incorrect answer	**2**
1(b)	The weights give an indication of the relative importance of expenditure on different items by people in an economy This takes into account the fact that price rises of some goods and services will have a more significant effect than the price rises of other goods and services; this will give a more accurate indication of the overall price level change. **(1 mark)** Examples: Food, housing and transport are likely to be given a higher weighting than other items because these usually represent a higher proportion of the average person's expenditure (the question does refer to examples, so there must be more than one example included in the explanation) **(1 mark)** An answer that does not use examples to support the explanation can only gain 1 mark	**2**
1(c)	The Digital Price Index (DPI) could be used more extensively to measure the rate of inflation in the future. The DPI has several advantages over the conventional approach. • The Digital Price Index (DPI) includes three-quarters of online spending at America's top 500 retailers. It tracks 1.4 m products, compared with the CPI's 80 000, so it is a more comprehensive indicator with a greater number of items. • It is based on actual purchases rather than advertised prices, increasing its accuracy. • It is easier to collect the data electronically once the database is established. • It is likely to be easier to keep up-to-date. • There will be time to make improvements to overcome its current weaknesses and omissions	**2**

Question	Answer	Marks
1(d)	Explanation: The case study does suggest that official statistics may be missing significant price movements, especially in electrical goods. It was found that the price of computers fell by 13.1% in the year to January 2016, almost double the 7.1% fall recorded in the CPI. This could be because of an increase in supply in the market for computers, causing the equilibrium price in the market to fall; this could arise because of a fall in the cost of components, improvements in technology or more competition from new entrants into the market. The CPI fall would be less as it includes price changes of products whose prices fell less than that of computers, remained unchanged or rose; the average will be less than a single item **(1 mark for the explanation)** Diagram: P, Q, D and S all correctly shown and labelled [1] Shift of the supply curve to the right [1] Fall in equilibrium price and rise in equilibrium quantity [1] **(Up to 3 marks for the diagram)**	**4**
1(e)	A borrower will benefit from inflation (1) because the borrower will be paying less back in real terms (1) **(Up to 2 marks)** A saver will be made worse off by inflation (1) because the saver will be receiving less back in real terms (1) **(Up to 2 marks)**	**4**
1(f)	Monetary policy is sometimes used to control the rate of inflation in an economy, especially when the rate of inflation rises above the targeted rate of inflation. Changes in interest rates and/or the supply of money can be used to bring down the rate of inflation. Decisions about the correct changes in the rate of interest and/or the money supply will be taken in relation to what is known about the rate of inflation. However, if the rate of inflation in an economy is not measured accurately, the decisions taken in relation to changes in the rate of interest and/or the money supply may not be the correct ones. In such a situation, monetary policy will not operate effectively and the rate of inflation may eventually be higher or lower than what was intended when the monetary decisions were taken. For **identification** and **explanation** of how these monetary policies might be used to cure inflation. **(Up to 4 marks)** For **evaluative comment** on whether monetary policy can operate effectively if inflation is not measured accurately. **(Up to 2 marks, reserve 1 mark for a conclusion)**	**6**

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Question	Answer	Marks
2(a)	For **knowledge** and **understanding** of the factor capital. Capital refers to the factor of production that includes all the human-made aids to production, e.g. tools, equipment, plant, machinery and factories. Capital is a factor of production that can be used in the production process. It can be combined with the other factors of production to produce goods and services which can be sold in the market. Note: Do not credit answers that refer to capital as money. **(KU: up to 4 marks)** For **application** showing how capital is rewarded in a modern economy through interest payments. **(APP: up to 4 marks)**	**8**
2(b)	For **analysis** of an outward shift of the production possibility curve in a mixed economy. A production possibility curve shows the different combinations of products that can be produced if an economy is working at full capacity. Over a period of time, it is possible for there to be economic growth resulting from the availability of more resources and/or the more productive use of existing resources. Decisions in relation to the quantity and the quality of resources in a mixed economy can be taken by either the public sector, i.e. the government, or the private sector, i.e. firms. Decisions taken by entrepreneurs could contribute to the outward shift of an economy's production possibility curve. **(Up to 4 marks)** An outward shift of the production possibility curve of a mixed economy could take place as a result of investment decisions taken by a government. **(Up to 4 marks)** **(AN: up to 8 marks total)** For **evaluative comment** on whether enterprise is crucial to the outward shift of a mixed economy's production possibility curve. **(EV: up to 4 marks, reserve 1 mark for a conclusion)**	**12**

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Question	Answer	Marks
3(a)	For **knowledge** and **understanding** of the concept of price elasticity of supply. Candidates should define PES as the percentage change in the quantity supplied of a product divided by the percentage change in the price of the product. **(Up to 2 marks)** They can then comment on the different values of PES: perfectly inelastic (zero), inelastic (greater than zero but less than 1), unitary (1), elastic (greater than 1 but less than infinity) and perfectly elastic (infinity). **(Up to 2 marks)** **(KU: up to 4 marks total)** For **application of factors** to the determination of the PES of a product. Candidates should refer to the possible factors that could affect the PES for a product: • the number of producers in a market • the availability of stock/ the difficulty of keeping stocks of some products • the time period • the extent of spare capacity • the length of the production period • the availability and nature of resources • the degree of factor mobility/the possibility of switching factors of production The question does refer to factors, i.e. a minimum of two factors need to be explained. A candidate needs to explain a minimum of two factors to gain all 4 marks. **(APP: up to 4 marks)**	**8**

Question	Answer	Marks
3(b)	For **analysis** of the importance of income elasticity of demand (YED) to a firm. Comment on whether YED is useful. Comment on whether it is positive, which will be the case with normal goods, or whether it is negative, which will be the case with inferior goods. YED is important to the decisions of a firm, enabling it to estimate the effect on the demand for its products of a change in incomes. For example, if incomes are rising in an economy, a firm would be expected to increase the production of normal goods and decrease the production of inferior goods. Candidates need to consider that the extent to which YED is likely to be important to a firm will depend on a number of factors, such as the proportion of income that is spend on a particular product. The demand for some products will not be very sensitive to a change in income because they are not very expensive, whereas the demand for other more expensive products will be much more sensitive to a change in income. **(Up to 4 marks)** Candidates could then discuss other elasticities of demand, such as PED or XED. One of these done very well could gain all 4 marks, or two done reasonably well. **(Up to 4 marks)** Note: Accept PES as a possible answer **(AN: up to 8 marks total)** For **evaluative comment** on whether YED is likely to be the most important measure of elasticity to a firm. **(EV: up to 4 marks, reserve one mark for a conclusion)**	**12**
4(a)	For **knowledge** and **understanding** of tariffs and quotas. Candidates should define: • tariffs: a tax that is imposed on an imported product to make it more expensive. **(Up to 2 marks)** • quotas: a limit on the imported products that are allowed into a country **(Up to 2 marks)** **(KU: up to 4 marks)** For **application** of tariffs and quotas to the operation of protectionism, stressing the difference between them in the way they operate. Candidates should apply each method to how they can be used to protect a domestic industry: • tariffs: operate through an increase in price, with the effect depending on the PED. **(Up to 2 marks)** • quotas: operate through a limit on imports. **(Up to 2 marks)** **(APP: up to 4 marks)**	**8**

Question	Answer	Marks
4(b)	For **analysis** of the importance of free trade in preference to protectionism. **(Up to 8 marks)** Candidates should consider the potential advantages of free trade: • world output can be increased • resources are allocated more efficiently • consumers have a wider range of products to choose from • there can be a substantial increase in economic growth • this will lead to an improved standard of living and quality of life **(Up to 4 marks)** Candidates should consider possible situations where protectionism could be preferred to free trade: • support for infant/sunrise industries, at least as a temporary measure • support for sunset/declining industries, at least as a temporary measure • support for a strategic industry • protection against dumping • a means of reducing a current account deficit • tariffs can be used as a means of raising government revenue **(Up to 4 marks)** **(AN: up to 8 marks total)** For **evaluative comment** on the extent to which free trade should always be preferred to protectionism. **(EV: up to 4 marks, reserve one mark for a conclusion)**	**12**

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Question	Answer	Marks	Guidance
1(a)(i)	The deficit **(1 mark)** has grown or increased etc **(1 mark)**	**2**	Here we are looking for the appropriate phrase i.e. 'deficit' together with recognition that this has grown or is greater or has increased. If the candidate says the **deficit has worsened** that is worth both marks, but if they just say that the balance of trade has 'worsened' this scores 0 marks because this could apply to a declining surplus. Similarly, if the candidate simply uses negative figures without stating that this is a deficit then 0 marks.
1(a)(ii)	The services balance is in surplus **(1 mark)** **whereas** the goods balance is in deficit **(1 mark)**	**2**	The important point here is that this is a surplus rather than a deficit. There has to be clear comparison of the two balances for both marks.
1(b)	For a clear understanding that subsidies will reduce the costs of steel producers in China **(1 mark)**. For a clear understanding of why this is unfair in terms of the efficiency of steel production in China compared to competitors **(1 mark)**	**2**	Subsidies give Chinese steel makers an unfair advantage because the subsidy will reduce costs for Chinese steel producers and this is not a reflection of the true costs of steel production in China. The candidate must show some understanding of why the subsidies are unfair for both marks. It is not enough to simply state that the subsidies allow China's steel firms to lower price, it must be clear that the subsidies cause price to fall below costs or do not reflect efficiency.

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Question	Answer	Marks	Guidance
1(c)	A simple but accurate diagram that shows the shift of the supply curve **(1 mark)** and the rise in price of imported steel **(1 mark)** together with an accompanying explanation that covers the rise in domestic production of steel and the fall in the share of imports. **(Up to 2 marks)** A more complex diagram that shows the shift in supply **(1 mark)** and the rise in price of imported steel **(1 mark)** and the change in domestic share of the market together with the change in imports **(1 mark)** This should have appropriate indicative annotation together with an accompanying explanation **(Up to 2 marks)** **NB 4 marks maximum**	**4**	Most candidates use one of these two diagrams. One is a simple shift of the supply curve of imports to the left. This will raise price and reduce the demand for imports. The accompanying explanation will need to develop the idea that this will increase the demand for home produced steel. A full tariff diagram will show the changes in price, and the changes in the share of domestic production and imported steel.
1d(i)	For identification of a loser in China **(1 mark)** For explanation of why they would lose **(1 mark)**	**2**	It is clear that those employed in China's steel mills will lose and the steel making firms will also make less profit. In addition, the Chinese government will lose as there are costs in removing steel making capacity. It is also acceptable to refer to the impact on those who live in steel making regions. Some candidates may refer to multiplier effects. This is acceptable, but not essential for both marks.
1(d)(ii)	For identification of a loser in the EU **(1 mark)** For explanation of why they would lose **(1 mark)**	**2**	The losers in the EU are those firms that use subsidised Chinese steel in their manufacturing. They will have to pay higher prices for this component. Also, consumers of products that use subsidised Chinese steel.

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Question	Answer	Marks	Guidance
1(e)	For a statement that comparative advantage refers to the production of goods or services that have the lowest opportunity cost **(1 mark)** For an explanation of the benefits of specialisation and allowing free trade in products based upon comparative advantage **(Up to 2 marks)** For evaluation of whether free trade with China can be justified given the claims of protectionism in the text with 1 mark reserved for a reasoned conclusion based upon the analysis. **(Up to 3 marks)**	**6**	The rise in sales of services to China could be application of the principle of comparative advantage and it could be argued that the EU should specialise in services and China in steel. If the size of China's exports of steel to the EU has resulted from dumping, however, this does not suggest lower opportunity costs in steel making in China. There are also strategic reasons for maintaining steel making in the EU.
2(a)	For **knowledge and understanding of the concept of cross elasticity of demand**. What it measures i.e. the relationship between the change in the price of one product and the change in the demand for another product **(1 mark)** and the correct formula **(1 mark)** **(KU: up to 2 marks)** and **application** to explain the relationship between goods with a cross elasticity value that is negative i.e. they are complementary **(1 mark)** because a rise(fall) in the price of one product leads to a fall(rise) in the demand for the other product **(1 mark)** **(Up to 2 marks)** and **application** to explain the relationship between goods with a cross elasticity value that is positive i.e they are substitutes **(1 mark)** because a rise(fall) in the price of one product leads to a rise(fall) in demand for the other product **(1 mark)** **(Up to 2 marks)** and **application** to explain the relationship between goods with a cross elasticity value of zero. i.e. they are unrelated **(1 mark)** because a change in the price of one product has no effect on the demand for the other product **(1 mark)** **(Up to 2 marks)** **(APP: up to 6 marks)**	**8**	The candidate may provide the formula for cross elasticity, but not give an explicit explanation of what this measures. The candidate could still be awarded the mark for 'what it measures' if it is clear from the application that this is clearly understood.

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Question	Answer	Marks	Guidance
2(b)	For **analysis** of the usefulness of **each** of the three measures **(Up to 3 marks)** • For an explanation of how this measure might be useful **(Up to 2 marks)** • For an explanation of the weaknesses or drawbacks of using this measure **(Up to 2 marks)** **3 marks maximum for each measure** **(AN: up to 8 marks)** Up to 4 marks for evaluative comment on the relative usefulness of each measure. **(EV: up to 4 marks)**	**12**	Price elasticity of demand will inform the tourist organisation of the impact of price changes in terms of quantity demanded and total revenue. Income elasticity will help to inform tourist organisations of the impact of the changes in demand as incomes change, for example during a recession. Price elasticity of supply will inform the organisation of the ability of hotels etc to respond to changes in price. Evaluative comment might include for example, the fact that changes in price are under the control of suppliers whereas changes in income are not and this inhibits the ability of the organisation to develop a policy to react to income changes.

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Question	Answer	Marks	Guidance
3(a)	For **knowledge and understanding** of what is meant by deflation i.e. a fall in the general price level **(1 mark)** and how it is measured i.e. a fall in the Consumer Price Index (CPI). **(1 mark)** Allow reference to other methods of measuring changes in the price level such as the GDP implicit deflator. **(KU: Up to 2 marks)** For **application** explaining the impact of deflation on an economy. For each impact explained **(Up to 3 marks)** So a minimum of **two** impacts explained is necessary for all the available marks here. Please note however that some answers might contain a number of impacts within one developed explanation. There is no maximum in terms of the number of impacts explained, but it is essential that there is explanation of each rather than an **unexplained** list **(1 mark maximum)**. **(APP: up to 6 marks)**	**8**	The term deflation is used to describe a period in which there is a fall in the general price level. It is the opposite of inflation. It is usually measured through falls in the CPI. There are a number of effects. For example, the value of savings increases. Consumers usually put off purchases hoping that prices will be lower in the future. This means that firms usually lower wages to preserve profits, but often they have to reduce production and this often causes unemployment. Investment also often declines. Although deflation is likely to lead to a fall in the terms of trade it may well result in an increase in revenues from exports. Also, the relative price of imports rises and this may result in lower import expenditures.
3(b)	For **analysis** of how expansionary monetary policy is designed to solve the problem of deflation with due reference to any weaknesses or disadvantages of this approach. **(Up to 4 marks)** For **analysis** of how expansionary fiscal policy is designed to solve the problem of deflation with due reference to any weaknesses or disadvantages of this approach. **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative comment** that **compares** the relative merits of each approach **(3 marks)** to arrive at a conclusion on which approach is most likely to be effective. **(1 mark)** **(EV: up to 4 marks)**	**12**	Policies to solve the problem of deflation include expansionary monetary policy and running a fiscal deficit. Whether either policy can be effective depends upon the extent to which consumers and businesses respond to the stimulus.

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Question	Answer	Marks	Guidance
4(a)	For **knowledge and understanding** of the features of a public good. Public goods are non-excludable: what this means **(1 mark)** and non-rival in consumption: what this means **(1 mark)** **(KU: up to 2 marks)** For **application** that considers whether a motorway could be classified as a public good through an examination of whether it is excludable or non-excludable. For example, free riders can be excluded through tolls but it may not be practicable to erect toll-booths. **(Up to 3 marks)** For **application** that considers whether a motorway could be classified as a public good because there is rivalry in consumption. Traffic jams for example may occur. These however might only occur at peak periods. **(Up to 3 marks)** If a candidate simply says that it is a public good because it is provided by the government then no marks are to be awarded for application. The consideration must test the classification of the motorway against the features of a public good. **(APP: up to 6 marks)**	**8**	Public goods have the features of non-excludabilty, non-rivalry in consumption. A motorway is often cited by candidates as a public good, but consumers can be excluded from motorways through tolls and there is rivalry in consumption as traffic jams prove. If a candidate provides a reasoned argument that under some circumstances a motorway might be non-excludable and/or there is no rivalry in consumption this can be an acceptable approach. Some might argue that a motorway could be classified as a quasi-public good. Some candidates might refer to non-rejectability as a feature of public goods. Please allow credit for this if it adds to the general quality of the application.

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Question	Answer	Marks	Guidance
4(b)	For **analysis** of the impact of increased government spending upon aggregate demand with reference to the intersection of the increased aggregate demand with the aggregate supply curve. **(Up to 4 marks)** For **analysis** of the impact of increased government spending upon infrastructure and aggregate supply with reference to the intersection of the increased aggregate supply with the aggregate demand the curve. **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative comment** with due reference to the relative shifts of each curve and their point of intersection **(Up to 3 marks)** to arrive at a conclusion on whether the increased spending will always cause a rise in the rate of inflation **(1 mark)**. **(EV: up to 4 marks)**	**12**	The focus of this question is the impact of increased government spending and increased infrastructure upon the aggregate demand and aggregate supply curves. The impact depends upon where aggregate demand intersects aggregate supply and if the increased spending generates inflation if this intersection is close to full employment. The improved infrastructure should increase aggregate supply to offset the increase in aggregate demand. Evaluative comment might include reference to the long time-period required to improve the infrastructure.

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1(a)(i)	Overall it has increased **(1 mark)** Description of trend/change **(1 mark)**	**2**	For the second mark, we expect candidates to refer to the change in the growth rate after about 2005. E.G. The growth rate accelerated after 2005.
1(a)(ii)	For identification of a demand factor **(1 mark)** and for explanation **(1 mark)** For identification of a supply factor **(1 mark)** and for explanation **(1 mark)**	**4**	**Demand side**: e.g. increase in incomes, lower prices of complements, increased willingness to fly, poor quality rail services (tastes), advertising, etc. **Supply side**: more terminals, entry of new firms, fewer regulations, ease of entry for airlines to set up in India, lower operating costs, etc.
1(b)	For identification of one factor together with a valid example drawn from the context of airline operators. **(1 mark)** **Two factors = 2 marks**	**2**	Capital: aircraft, booking systems Labour: pilots, mechanics, flight attendants Enterprise: entrepreneurs willing to take risks and organise the other factors Land: the physical area taken up by airports The candidate must use the correct term to identify the factor and provide an appropriate example from the airline industry.
1(c)	For a correctly labelled diagram showing a shift to the left of the supply curve **(1 mark)** and the rise in price **(1 mark).** **(Up to 2 marks)** For an explanation of the incidence of the tax when the demand is elastic. **(Up to 2 marks)** For an explanation of the incidence of the tax when the demand is inelastic. **(Up to 2 marks)**	**6**	In this case, the airline industry is effectively the consumer of fuel. The greater the elasticity of demand the more that the incidence will fall upon the producer. The greater the inelasticity the more that the incidence will fall upon the consumer.

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Question	Answer	Marks	Guidance
1(d)	For an explanation of the benefits/ advantages of ending the rule **(Up to 3 marks)** For an explanation of the costs/ disadvantages of ending the rule **(Up to 3 marks)** **Reserve 1 mark for a reasoned conclusion**	**6**	The 5/20 restriction limits the supply of Indian airlines operating services outside the country. It protects the business interests of established carriers like Air India and Jet and the viability of the hub airports from which they operate. Fares are kept higher than if there were more competitors. The potential **advantages** of removing the 5/20 restriction are that it would open up the market, see new services and lower fares. It would not discriminate against Indian airlines relative to those that are foreign owned. The potential **costs** are that safety might be compromised as non-established firms enter the market, the greater competition might result in some established firms decreasing in size and losing the benefits of scale as a result, new entrants might bring poorer quality of services and so on, employee terms and conditions of services might decline. The wider effects on the Indian economy are less certain. There could be an improvement in the trade in services as Indian airlines generate foreign currency from fares; there could be a wider benefit as there are more opportunities for business travellers and tourists to visit India.

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Question	Answer	Marks	Guidance
2(a)	For a **knowledge and understanding** of private goods in terms of excludability and what that means **(1 mark)** and rivalry in consumption and what that means **(1 mark)** **(KU: up to 2 marks)** For **application** of why some goods are non-excludable and therefore cannot be provided as private goods **(Up to 3 marks)** For **application** of why some goods are non-rival are therefore cannot be provided as private goods **(Up to 3 marks)** If no example is provided then **2 marks maximum** for each type of good.	**8**	A private good has the characteristics of excludability and rivalry. This is normally achieved through the price mechanism and once a good is purchased, it cannot be consumed by others. Rivalry could also raise the price of a good. If a consumer does not have the resources, they cannot consume certain private goods. Public goods are provided to overcome this problem; they are non-excludable and non-rival. Their provision does through raise the issue of free riders. Reward relevant examples of private and public goods. Credit those candidates who include a consideration of rejectability if this adds to the quality of the answer.
2(b)	For an **analysis** of the costs/benefits of a subsidy on those forms of transport that might be considered as merit goods **(Up to 4 marks)** For an **analysis** of the costs/benefits of a subsidy on those forms of transport that are not considered as merit goods **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative comment** on whether **all** forms of transport should be subsidised with **1 mark reserved** for a conclusion **(EV: up to 4 marks)**	**12**	There are various arguments for subsidising transport. The arguments depend upon the extent to which different forms of transport could be considered as merit goods.

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Question	Answer	Marks	Guidance
3(a)	For **knowledge and understanding** that an exchange rate is the price of one currency in terms of another or a basket of currencies **(1 mark)** that is determined by the interaction of demand and supply in the foreign exchange market **(1 mark)** **(KU: up to 2 marks)** For **application** of how a government could influence the demand for its currency to manage its value **(Up to 3 marks)** For **application** of how a government could influence the supply of its currency to manage its value **(Up to 3 marks)**	**8**	The government might manage the value by affecting the supply and/or demand for its currency through buying and selling foreign exchange reserves, changing interest rates, exchange control regulations and so on.
3(b)	For an **analysis** of the likely effects of a devaluation on the Chinese economy **(Up to 4 marks)** For an **analysis** of the likely effects of a devaluation on countries that trade with China. **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative judgement** of the likely relative impact on the Chinese economy compared to other trading partners. **Reserve 1 mark** for a reasoned conclusion on the overall impact on each economy. **(EV: up to 4 marks)**	**12**	The action by the Chinese government was a deliberate decision, namely a devaluation. The likely effect is to make Chinese exports to other countries even more price competitive whilst imports from elsewhere become less competitive. Reference to Marshall-Lerner and the J-curve effect are relevant.
4(a)	For **knowledge and understanding** that uses a correctly labelled diagram **(1 mark)** to show that equilibrium exists in the economy at the intersection of AD and AS **(1 mark)** **(KU: up to 2 marks)** **Using a diagram:-** For **application** showing how either an increase or decrease in aggregate demand in terms of its impact upon prices, employment and real output is determined by its interaction with aggregate supply curve. **(Up to 3 marks)** For **application** showing how either an increase or decrease in aggregate supply in terms of its impact upon prices, employment and real output is determined by its interaction with aggregate demand curve. **(Up to 3 marks)**	**8**	

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Question	Answer	Marks	Guidance
4(b)	For **analysis** that explains any causes of an increase in AS **(Up to 4 marks)** For **analysis** that explains any the costs and benefits of the increase in AS **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative judgement** on whether the increase in aggregate supply will have be of overall benefit with **1 mark reserved** for a reasoned conclusion. **(EV: up to 4 marks)**	**12**	Aggregate supply can increase for many reasons such as advances in technology, improved education and training, net immigration, net investment, discovery of new resources and so on. Reference to short and long run is relevant. Benefits include a rise in the standard of living, more leisure time, new products, etc. The possible costs include a rise in unemployment, depletion of resources. An evaluative comment might be that it depends upon the existence or otherwise of a deflationary gap.

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