Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **May/June 2018**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Section A
Answer **Question 1**.
Brief answers only are required.

Section B
Answer **one** question.

You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

The number of marks is given in brackets [ ] at the end of each question or part question.

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Section A

Answer this question.

1 Russia's economic problems are getting worse

Russia's currency, the rouble (RUB), has been falling rapidly in value.

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An index of the real exchange rate fell from a value of 100 in 2010 to 75.8 in 2015 and this should have the effect of eventually helping to encourage exports.

Source: Adapted from The Economist

Table 1.1: Selected economic indicators for Russia 2013–2015

Economic Indicator	2013	2014	2015
Annual inflation rate	6.8%	7.8%	15.4%
Economic growth rate	1.3%	0.6%	–3.9%
Nominal exchange rate (RUB per US$)	38.4	56.3	61.3

Source: Adapted from The World Fact Book

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(a) **(i)** Using Table 1.1, calculate the percentage fall in the nominal value of the rouble against the US dollar between 2013 and 2015. [2]

(ii) Explain the difference between a nominal exchange rate and a real exchange rate. [2]

(b) Explain, using a demand and supply diagram, how the fall in the price of a barrel of oil contributed to a decline in the value of the rouble. [4]

(c) Analyse the likely impact the depreciation of the rouble could have on the Russian economy. [6]

(d) Discuss whether the privatisation of some state assets would be of overall benefit to the Russian economy. [6]

Section B

Answer **one** question.

2 **(a)** Explain why both merit goods and demerit goods are examples of private goods. [8]

(b) Discuss whether merit goods and demerit goods are best provided by a market economy. [12]

3 **(a)** Explain the factors that can affect the price elasticity of demand for a product. [8]

(b) Discuss the extent to which knowledge of a product's cross-elasticity of demand is likely to be important to a firm supplying that product. [12]

4 **(a)** Explain the characteristics that money needs to have in order to perform its functions effectively. [8]

(b) Discuss the likely consequences for an economy of an increase in the money supply. [12]

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