Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **May/June 2022**

1 hour 30 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **two** questions in total:
  - Section A: answer Question 1.
  - Section B: 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 40.
- 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 Economic growth in Russia has slowed to well below the global average

In 2019, Russia set an aim to quicken its economic expansion – to grow faster than the world as a whole. So far, the plan is off to an uncertain start.

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This has also led to a fall in the value of the exchange rate for the Russian currency, the rouble.

Source: Andrew E. Kramer, The New York Times *18 February 2020*

Table 1.1: Russia: Government budget balance as % of national output

2015	2016	2017	2018	2019
–2.4	–3.4	–1.5	2.9	1.8

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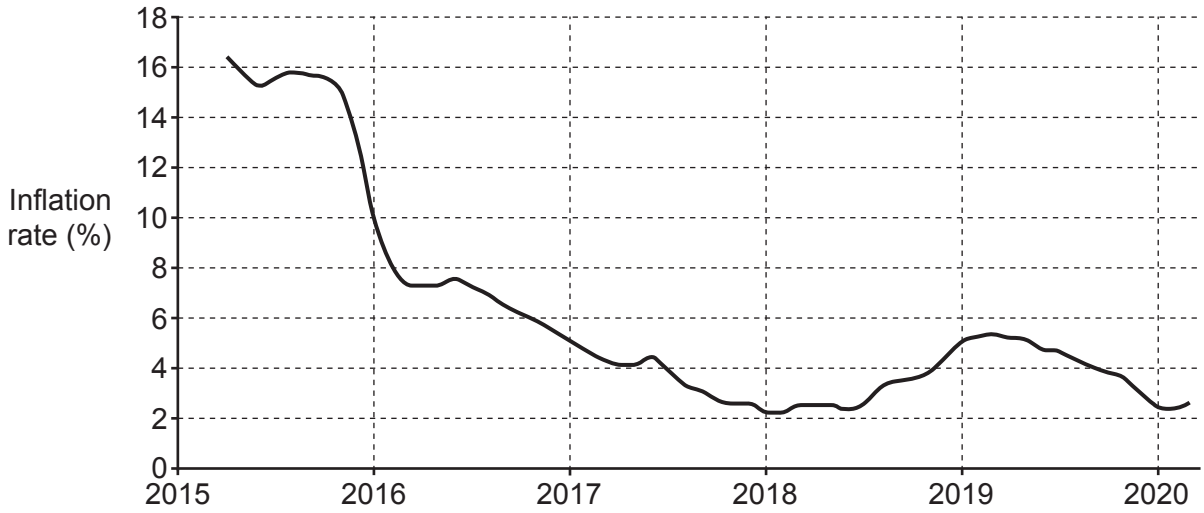


Fig. 1.1: Russia's annual inflation rate, March 2015 to March 2020

Source: Trading Economics/Ministry of Finance of the Russian Federation

(a) Using Fig. 1.1

(i) Compare the rate of inflation in Russia in March 2015 with that in March 2020. [1]

(ii) What has happened to the price level over this period? [1]

(iii) Explain what could have caused real wages in Russia to decline between 2016 and 2018. [2]

(b) Explain whether school lunches provided free-of-charge by the Russian government would be classified as private goods or public goods. [4]

(c) Assess, using aggregate demand and aggregate supply analysis, the likely impact of the changes shown in Table 1.1 upon the rate of inflation in Russia. [6]

(d) Discuss whether the 'huge decrease in the price of oil' and the fall in the value of the rouble might bring more opportunities than threats to the Russian economy. [6]

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[Turn over

Section B

Answer **one** question.

2 **(a)** With the help of a production possibility curve diagram(s) compare growth in the productive capacity of an economy and growth that results from a reduction in the quantity of unused resources in an economy. Explain **one** reason that might cause each to occur. [8]

(b) Discuss the disadvantages of a planned economy and consider whether the transition to an economy in which many resources are allocated by market forces is likely to be of overall benefit. [12]

3 **(a)** With the help of diagrams, use the concept of income elasticity of demand to explain the impact of a fall in incomes on the equilibrium price and equilibrium quantity of a normal good and an inferior good. [8]

(b) Discuss the difficulties that businesses might have when they try to control the factors that determine the price elasticity of demand for a product and consider whether attempts to control these factors are likely to be successful. [12]

4 **(a)** An economy moves from a deficit to a surplus on the current account of the balance of payments.

Explain what is meant by a surplus on the current account of the balance of payments and consider the possible impact on the level of employment and prices when there is a change from a deficit to a surplus current account balance in an economy. [8]

(b) Discuss whether expenditure-reducing or expenditure-switching policies are more likely to be of greater overall benefit if adopted to remove a persistent deficit on the current account of the balance of payments. [12]

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