Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 AS Level Data Response and Essays **May/June 2025**

2 hours

2493284048

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 all parts of Question 1.

1 Inflation rate falls in the United States (US), but fears continue over the economic outlook

Americans have been worried about the rate of inflation in the US, especially the increases in food, rent, energy and vehicle prices.

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One economist stated that 'we still expect the impact of the increase in interest rates to push the economy into a mild recession in the first half of 2023'.

Sources: Adapted from 'Economic growth beats forecasts in US', The Times*, 27 January 2023 and adapted from 'Inflation rate falls in America – but fears continue over economic outlook',* The Times*, 28 January 2023*

(a) Using the data in Table 1.1, compare changes in the inflation rate and changes in the interest rate in the US. [2]

(b) Explain one reason why using the Consumer Price Index (CPI) to measure the inflation rate in the US may not produce an accurate result. [2]

(c) 'In an attempt to bring about disinflation, the Federal Reserve used a contractionary monetary policy.' Consider whether disinflation is more harmful than deflation. [4]

(d) Assess whether increases in the interest rate make a recession in the US inevitable. [6]

(e) Assess whether the Federal Reserve setting an inflation target as part of its monetary policy is likely to be helpful for the US economy. [6]

Section B

Answer **one** question.

EITHER

2 **(a)** With the help of a diagram, explain the reasons for a movement within a production possibility curve (PPC) and a shift of a PPC **and** consider the extent to which opportunity cost determines the shape of a PPC. [8]

(b) Assess whether a shift to the right of a PPC is only caused by an increase in the quantity of resources. [12]

OR

3 **(a)** With the help of a diagram, explain how changes in a subsidy can influence the price and quantity sold of a product in a market **and** consider how expenditure on a subsidy is affected by the price elasticity of demand for the product. [8]

(b) Assess whether an increase in the tax on a demerit good is always the best way to reduce the consumption of such a product. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** Explain how the circular flow of income in an economy changes when that economy moves from a closed to an open economy **and** consider what determines the extent of the change. [8]

(b) Assess whether the potential benefits of free trade always outweigh the arguments for protectionism. [12]

OR

5 **(a)** Explain the difference between a budget surplus and a budget deficit **and** consider the extent to which a budget surplus is better than a budget deficit. [8]

(b) Assess whether expansionary fiscal policy always benefits an economy. [12]

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