UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay (Core) **October/November 2012**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

8836376089

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A
Answer this question.
Brief answers only are required.

Section B
Answer any **one** question.

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

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **3** printed pages and **1** blank page.

© UCLES 2012

Section A

Answer this question.

People in Education

1 Most governments see increasing the number of their population in education as a way to raise national productivity and prosperity in the long term.

The Organisation for Economic Co-operation and Development (OECD) has produced statistics of those in different age groups who participate in education. Table 1 shows the percentages of two age groups who are in education in a selection of countries. This covers both full-time and part-time students and both public and private providers.

Table 1: Educational participation rates in 1995 and 2007, selected countries

Country	Percentage of those aged 15–19 participating in education		Percentage of those aged 20–29 participating in education	
	1995	2007	1995	2007
Belgium	94	94	24	28
France	89	86	19	20
South Korea	75	87	15	28
United Kingdom	72	71	18	17
United States	72	80	19	23
New Zealand	68	75	17	30

Economists classify products into different groups such as private goods or public goods and merit goods or demerit goods. Education is usually considered to be an example of a merit good.

(a) Between 1995 and 2007, which country was

(i) the least successful in increasing its overall educational participation rate and

(ii) the most successful in increasing its overall educational participation rate? [2]

(b) Explain **two** possible economic reasons why the educational participation rate of 15–19 year-olds is higher than that of 20–29 year-olds for all countries as shown in Table 1. [4]

(c) **(i)** What is the difference between production and productivity? [2]

(ii) Explain how education may affect labour productivity and the production possibility curve. [4]

(d) Why is education considered to be an example of a merit good? [2]

(e) Discuss the extent to which the provision of education is different from the provision of national defence. [6]

© UCLES 2012

Section B

Answer **one** question.

2 **(a)** Explain, with the use of diagrams, the different effects on the price and quantity of a product of the removal of a subsidy and the removal of an indirect tax on that product. [8]

(b) Discuss the possible benefits and drawbacks of government subsidies to agriculture. [12]

3 **(a)** Explain, with the use of an aggregate demand (AD) and aggregate supply (AS) diagram, the different effect of cost-push and demand-pull inflation on real output. [8]

(b) Discuss whether the effect of the rate of inflation on the exchange rate is more or less important than the effect of the exchange rate on the rate of inflation. [12]

4 **(a)** Explain the different types of international economic integration. [8]

(b) Discuss the possible economic effects of a global ban on all forms of trade protection. [12]

© UCLES 2012

BLANK PAGE

Copyright Acknowledgements:

Question 1 © ADAPTED: http://www.ucu.org.uk/index.cfm?articleid=4316.

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2012