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

ECONOMICS **9708/22**

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

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

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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.

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Section A

Answer this question.

The Price of Sugar

1 In August 2009, sugar reached its highest pr ice for 28 years at 23 US cents per pound of sugar . Changes in the price of sugar and in average food prices are shown in Fig. 1.

Fig. 1 Indices of sugar and average food prices, January 2008 to August 2009 (January 2008 = 100)

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One explanation of the world sugar price rise was the weather. 2009 proved particularly unfavourable in major producing countries, with drought in India, too much rain in Brazil and hailstorms in Russia. Another explanation offered was motorists' increased use of ethanol as a car fuel. One way to produce ethanol is by using sugar cane as a raw material. Sugar prices in individual economies changed in a variety of ways. In 2008 sugar prices in India fell partly because the Indian Government banned sugar exports. In response to this price fall, Indian farmers planted less sugar cane. Malaysia was affected by rising sugar prices but mainly as a consumer. The Malaysian Government set a maximum price of 1.45 ringgit per kilogram. Tesco hypermarkets in Malaysia reacted to this price by rationing customers to 2 kilograms per customer. On the black market in Malaysia sugar was sold at 1.70 ringgit per kilogram, while it fetched 2.90 ringgit in neighbouring Thailand.

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(a) **(i)** Calculate the approximate price of sugar in January 2008. [2]

(ii) Compare the behaviour of sugar prices with that of average food prices between January 2008 and August 2009. [3]

(b) With the use of diagrams, contrast the weather explanations of the sugar price rise with the ethanol explanations of the price rise. [5]

(c) Explain the likely reaction of

(i) consumers of sugar, and

(ii) producers of sugar

to a continual, rapid rise in its price. [4]

(d) With reference to the data, discuss the likely effects of

(i) the actions of the Indian government, and

(ii) the actions of the Malaysian government. [6]

Section B

Answer **one** question.

2 **(a)** Explain, with the help of a production possibility diagram, how the opportunity cost of producing different combinations of goods can be measured. [8]

(b) Discuss the ease with which a planned economy may be changed into a market economy. [12]

3 **(a)** Explain what determines the demand for and supply of a currency in the foreign exchange market. [8]

(b) Discuss the extent to which a decline in the value of the national currency (depreciation or devaluation) will improve a country's balance of trade. [12]

4 **(a)** Explain why governments measure changes in the general price level and why they usually have more than one measure of these changes. [8]

(b) Discuss whether it is better for a government to raise the economy's rate of productivity growth or to control its rate of inflation. [12]

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