Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay (Core) **October/November 2014**

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 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.

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

This document consists of **4** printed pages and **1** Insert.

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Section A

Answer this question.

UK Government plans to increase the price of alcohol to end 'excessive consumption'

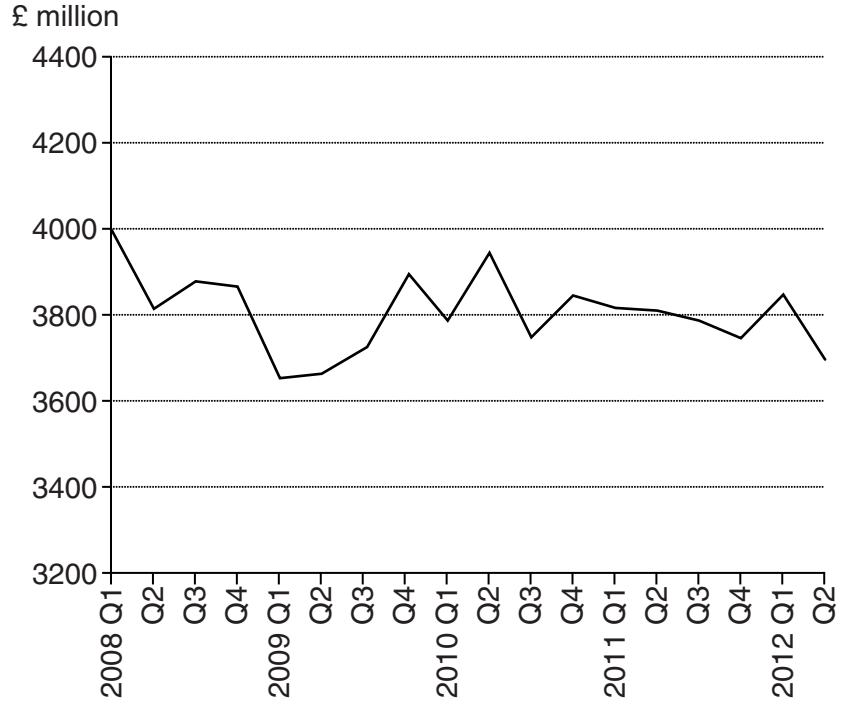
Plans for a minimum price for alcohol of 45 pence per unit were announced by the UK Government in an attempt to limit excessive consumption of alcohol. The Government hopes the policy, which would raise the price of the cheapest alcoholic drinks in shops, will reduce public disorder offences and cut the cost of alcohol-related ill health. It says that irresponsible drinking costs the UK taxpayer £21 billion a year, with nearly a million alcohol-related crimes and 1.2 million alcohol-related hospital admissions in 2011.

The Alcohol Health Alliance, an organisation of 32 medical, educational and counselling groups, welcomed the proposed policy. However, its chairman called for a higher minimum price of 50 pence per unit: 'According to the University of Sheffield, a minimum price of 50 pence per unit would reduce total alcohol consumption by 6.7%, reducing hospital admissions by approximately 20 000 in the first year alone.'

A minimum price of 45 pence per unit would cost the UK taxpayer about £200 million a year in lost revenue from taxes on alcohol.

Source: Adapted from The Independent, 2012

Fig. 1: Real expenditure in the UK on alcohol purchased in shops for consumption off the premises (£ million)



Source: Office for National Statistics

Table 1: UK average weekly alcohol consumption (units), by age: 2006–2010

Age (years)	2006	2008	2010
16–24	14.6	13.1	11.1
25–44	14.6	13.0	12.2
45–64	15.0	13.8	13.1
65 and over	8.7	8.9	8.1
Average for all age groups	13.5	12.3	11.5

Source: Office for National Statistics

1 (a) (i) What is the overall trend in UK real expenditure on alcohol purchased in shops for consumption off the premises between 2008 quarter 1 and 2012 quarter 2? [1]

(ii) Explain how a change in **one** demand factor might have caused the change in weekly alcohol consumption for the 'average for all age groups' shown in Table 1. [2]

(b) (i) Identify the age group that has shown the greatest change in average weekly alcohol consumption between 2006 and 2010. [1]

(ii) For the age group you have identified, explain **one** possible economic reason for the change in its average weekly alcohol consumption compared with the other age groups. [2]

(c) If the minimum price per unit were fixed at 50 pence rather than 45 pence, explain, with the help of a diagram, how the higher price would affect the consumer surplus in this market. [4]

(d) Explain, with reference to the data, how crime and hospital admissions arising from excessive alcohol consumption contribute to social costs. [4]

(e) Discuss whether the problems associated with excessive alcohol consumption are better dealt with through a minimum price per unit for alcohol rather than through an education campaign. [6]

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[Turn over

Section B

Answer **one** question.

2 **(a)** Show how the economic problem can be explained with the use of a production possibility curve. [8]

(b) Discuss whether an outward shift in a country's production possibility curve will always raise the welfare of the citizens of that country. [12]

3 **(a)** Explain why an increase in the money supply and rising world energy prices are categorised as different causes of inflation in an economy. [8]

(b) Discuss whether a floating exchange rate is consistent with the policy objective of a low and stable rate of inflation. [12]

4 **(a)** Explain how comparative advantage shows that specialisation and international trade can improve the welfare of consumers in an economy. [8]

(b) Discuss whether an economy would benefit more from an unfavourable rather than a favourable movement in its terms of trade. [12]

Copyright Acknowledgements:

Question 1 © Martin Hickman; *UK government sets out dearer alcohol plan to end excessive drinking*; The Independent; 28 November 2012.
Question 1 Figure 1 © Office of National Statistics; www.ons.gov.uk; December 2012.

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