Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **October/November 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 [ ].

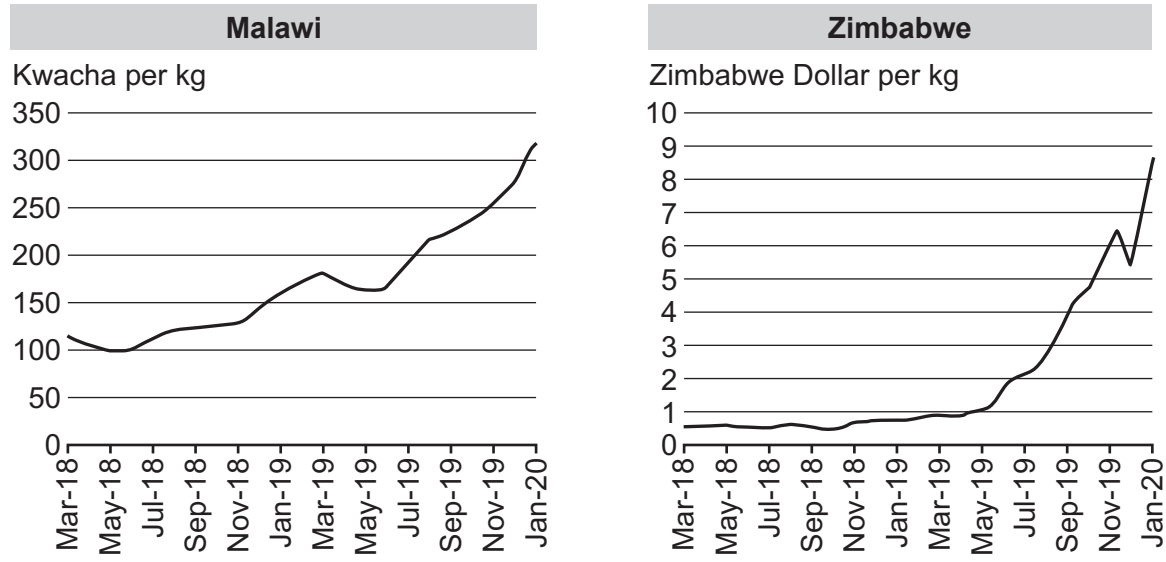
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Section A

Answer this question.

1 **Variations in the price of maize**



Source: FAO/GIEWS Food Price Monitoring and Analysis Tool.

Fig. 1.1: The price of maize in Malawi and Zimbabwe, March 2018 to January 2020

Table 1.1: Maize production in Malawi and Zimbabwe

	2015–2019 average (000 tonnes)	2019 (000 tonnes)	2020 forecast (000 tonnes)	Change 2019–2020 %
Malawi	2959	3392	3600	6.1
Zimbabwe	1313	1701	777	–54.3

Source: Adapted from Food and Agriculture Organisation of the UN. Country Briefs: Malawi and Zimbabwe 01/06/20

Extract 1: World export prices of maize fall sharply

Export prices of maize declined further in April 2020, with the United States (US) maize price nearly 10% down from April 2019. It is now at the lowest value in more than ten years. Large global supplies and good harvest prospects in South America continue to reduce prices. In addition, lower demand for maize from the biofuel and animal feed industries is depressing the price further.

Source: Food and Agriculture Organization of the United Nations 12/05/2020

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Extract 2: Zimbabwe takes steps to curb the rise in maize prices

Despite a falling world price for maize, the price of this staple food in Zimbabwe has continued to increase and is now at an exceptionally high level. The increased price mostly results from continued weakness in Zimbabwe's currency that has damaged the country's ability to import maize. In addition, the sharply reduced harvest of maize in Zimbabwe resulted in low domestic supplies. In an effort to tackle the soaring prices, the government has implemented several policies. To increase market supplies, the government removed a ban on imports of certain types of maize. It also increased producer subsidies on maize by 40%. Poorer households should benefit from access to this subsidised maize.

Source: Food and Agriculture Organization of the United Nations 17/02/2020

Extract 3: Malawi raises guaranteed minimum price for maize

Malawi's Ministry of Agriculture has released updated guaranteed prices for cereals produced on Malawi's farms in 2020. These are the minimum prices that farmers will receive for their crops. The guaranteed price for the food staple, maize, was raised by just over 10%. The government has begun purchasing maize at this increased price. This change in the minimum price is expected to increase the production of maize in 2020 and in the future to an average level of 3.7 million tonnes per year.

Source: Food and Agriculture Organization of the United Nations 10/04/2020

(a) Identify **one** possible cause of the decline in world export prices of maize. [1]

(b) Explain **one** change in a factor of demand that would lead to maize prices rising in Malawi despite the increase in domestic production. [2]

(c) With reference to Extract 2 explain **two** reasons why maize prices are rising in Zimbabwe despite the fall in the world export price of maize. [4]

(d) Explain, with the help of a diagram, how a rise in the minimum price of maize in Malawi will encourage production. [3]

(e) Consider, with the help of a diagram, whether a subsidy on maize production will benefit both the producers of maize and poorer households in Zimbabwe equally. [4]

(f) Discuss whether maximum prices on staple foods such as maize are likely to be effective in providing food for poorer households in Zimbabwe. [6]

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[Turn over

Section B

Answer **one** question.

2 In many economies, the use of cash is declining as people use contactless payments that transfer funds directly between bank deposits.

(a) Explain what represents money in a modern economy and how the use of contactless payments without the use of cash will affect the functions of money. [8]

(b) Discuss whether an expansionary monetary policy will be successful in correcting deflation. [12]

3 **(a)** Explain how a production possibility curve can be used to demonstrate scarcity, choice and opportunity cost. [8]

(b) Discuss the difficulties that might be encountered when adopting supply side policies to expand the productive capacity of an economy and consider whether these difficulties can be overcome. [12]

4 An economy adopts a freely floating exchange rate.

(a) Explain how this economy's exchange rate is likely to be affected when its inflation rate is much higher than inflation rates in its trading partners. [8]

(b) Discuss the advantages and disadvantages that result from a rise in an economy's terms of trade and consider whether a rise is likely to be of overall benefit to an economy. [12]

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