Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 AS Level Data Response and Essays **October/November 2024**

2 hours

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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 **Global coffee bean prices reach a new high**

Coffee is big business, especially in the United States (US). The global market was worth nearly US$110 bn in 2020, with production around 10 m tonnes of coffee beans. 95% of this production came from thousands of small-scale producers in South America, Central America, Asia and Africa. If present trends continue, production is forecast to triple by 2050. The Arabica coffee bean price was at a 10-year high in January 2022, having more than doubled in 2021. Fig. 1.1 shows the world price of coffee in United States dollars (US$) per pound (lb) weight. A pound is 454 grammes.



Source: tradingeconomics.com, 18 February 2022

Fig. 1.1: Arabica coffee bean price, 2002 to 2022

So how can this huge price increase be explained? The main cause was a series of weather events affecting Brazil, the world's largest producer of high quality Arabica coffee beans. Its market share is 35% of total global supply. There was severe drought in early 2021 that reduced the number of 'cherries', which contain the beans on coffee bushes. The crop yield was further damaged by frosts that followed the drought. As a result of these weather events, Brazil produced its smallest volume of quality coffee beans for ten years.

In addition, the production of cheaper low-quality Robusta coffee beans in Vietnam was badly affected by storms which stripped the bushes of their 'cherries'. Overall, there was a very large decrease in the global supply of all coffee beans.

Supply issues affecting major producing countries like Brazil and Vietnam mean that the volume of coffee beans produced regularly fluctuates between 'high' years and 'low' years. Producers try to reduce their risks through buffer stock schemes in order to maintain a regular income stream. This type of scheme is particularly important for the many small-scale subsistence producers who have no other source of income.

The dramatic weather events of 2021 have been exceptional, although a few large-scale producers in Brazil who survived the immediate impact of drought and frost should gain from the huge rise in the price of coffee beans. But what about the thousands of other producers elsewhere who lack power in the market? The most likely outcome is that they will once again become victims of the unpredictable global market for coffee beans.

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(a) Use a demand and supply diagram to show why there was a 'huge' increase in the price of Arabica coffee beans in 2021. [2]

(b) Is the price elasticity of supply of coffee beans likely to be elastic or inelastic in any one year? Justify your answer from the information provided. [2]

(c) Consider whether a buffer stock scheme is likely to be successful in reducing the price fluctuations shown in Fig. 1.1. [4]

(d) Assess the extent to which coffee bean producers will gain from the huge increase in coffee bean prices in 2021. [6]

(e) Assess the likely impact of the fluctuations in coffee bean prices on the economies of major producers such as Brazil and Vietnam. [6]

Section B

Answer **one** question.

EITHER

2 **(a)** With the aid of examples, explain the characteristics of public goods and free goods **and** consider whether free-of-charge vaccinations offered by a government should be classified as a free good. [8]

(b) Assess whether the expected benefits of providing healthcare services free of charge at the point of use exceed the likely costs. [12]

OR

3 **(a)** Explain **two** economic reasons for inequality in the distribution of income and wealth **and** consider why inequality in the distribution of wealth cannot easily be measured. [8]

(b) Assess which policies are likely to be most effective in redistributing income. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** In 2021, year-on-year inflation in many economies increased to a level not experienced for fifty years.

With the help of a diagram, explain what is meant by cost-push inflation **and** consider whether this type of inflation has affected your own economy since 2021. [8]

(b) Assess whether the potential benefits of an increasing rate of inflation outweigh the potential costs for an economy. [12]

OR

5 **(a)** Explain **two** methods of protection in international trade **and** consider which of these is likely to have the bigger impact on employment and output in the economy which imposes them. [8]

(b) Assess whether protectionism is always the best way of reducing a deficit on the current account of the balance of payments. [12]

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