

AS Level Paper 2

From Section B only

CHAPTER 1: Basic economic ideas and resource allocation

2 a) With the help of a diagram, explain how a production possibility curve can illustrate the concepts of opportunity cost and economic growth. [8]

(b) Discuss whether free market economies or centrally planned economies are more likely to make choices that will maximise the benefits for consumers. [12]

9708/02/SP/16

2 (a) Explain, using examples, why the prices charged for merit goods and demerit goods in a free market do not reflect the value to consumers. [8]

9708/22/F/M/16

(b) Discuss why some goods and services are provided by private enterprise and others are provided by the government in a mixed economy. [12]

9708/21/M/J/16

2 (a) Use examples to illustrate the difference between private goods and public goods, and explain why only private goods will be supplied in a free market economy. [8]

(b) 'The factor enterprise and the free working of the price mechanism always ensure a satisfactory outcome for consumers even when imperfect information exists.'
Discuss this view. [12]

9708/22/M/J/16

(b) Discuss how knowledge of the differences between these types of goods would help government policy makers and entrepreneurs to make decisions. [12]

9708/23/M/J/16

3 (a) Explain how the contribution of each factor of production differs in an agricultural economy from that in an industrialised economy. [8]

(b) Discuss whether entrepreneurs or governments are more likely to cause economic growth in a mixed economy. [12]

9708/21/M/J/15

3 (a) Using examples, explain the difference between merit goods and public goods and show why it is possible for profit to be made in the supply of one of these types of good but not the other. [8]

(b) Discuss why merit goods are undersupplied in a free market economy and consider the effectiveness of one policy to deal with this problem. [12]

9708/22/M/J/15

3 (a) Explain what economists mean when they describe a good as a 'demerit good' and, using a diagram, show why such goods will be overconsumed in a free market. [8]

(b) Discuss any two policies that might be used to deal with the problems caused by the consumption of demerit goods and consider which might be the more effective policy. [12]

9708/23/M/J/15

3 (a) Explain what is meant by the term 'money' and outline its characteristics in a modern economy. [8]

9708/22/O/N/15

2 (a) Explain the functions of price, enterprise and profit in a free market economy. [8]

(b) Discuss whether an outward shift in an economy's production possibility curve is more likely to occur in a free market economy or a centrally planned economy. [12]

9708/23/O/N/15

3 (a) Explain the difference between private goods and public goods, and why it is possible for a business to make a profit in the supply of private goods but not in the supply of a public good. [8]

(b) Discuss the view that a market economy is always preferable to a planned economy because of the existence of the price mechanism. [12]

9708/21/M/J/14

4 (a) Explain what is meant by the term 'money' and outline its characteristics in a modern twenty-first century economy. [8]

9708/21/M/J/14

2 (a) With the use of a diagram, explain how prices allocate scarce resources in a market economy. [8]

(b) Discuss whether prices are less important in allocating scarce resources in a mixed economy compared with a market economy. [12]

9708/22/O/N/14

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]

9708/23/O/N/14

2 (a) Explain why the free market is ineffective in arriving at the correct price for merit goods and demerit goods. [8]

(b) Discuss the policies a government might adopt to ensure the correct price for merit and demerit goods is charged in the market. [12]

9708/21/M/J/13

2 In a free market price rations scarce goods.

(a) Explain this statement and, with the help of a diagram, show how price rations scarce goods when there is an increase in the costs of production. [8]

(b) Discuss whether preventing the price mechanism from working freely by using government price controls can ever be effective. [12]

9708/22/M/J/13

2 (a) With the help of a diagram, explain how a production possibility curve can illustrate the concepts of opportunity cost and economic growth. [8]

(b) Discuss whether free market economies or centrally planned economies are more likely to make choices that will maximise the benefit for consumers. [12]

9708/23/M/J/13

3 (a) Use diagrams to explain the difference between merit goods and demerit goods. [8]

9708/22/O/N/13

2 (a) Explain the role of the enterprise factor of production in a free market economy, and compare this with the role of the other factors in the production process. [8]

(b) Explain the key differences between centrally planned and mixed economies, and discuss whether enterprise is a factor of production that is needed in a centrally planned economy. [12]

9708/23/O/N/13

2 (a) Explain how the loss of confidence in money will affect an economy's production possibility curve. [8]

(b) Discuss the difficulties involved in changing a planned economy to a successful market economy. [12]

9708/21/M/J/12

2 (a) Explain why all types of economic system benefit from the existence and use of money. [8]

(b) Discuss whether an economy's production possibility curve is more likely to move inward or outward over time. [12]

9708/22/M/J/12

2 (a) Explain whether the factors of production are always of equal economic importance within and between economies. [8]

(b) Discuss whether planned economies should always be replaced by free market economies. [12]

9708/23/M/J/12

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]

9708/22/O/N/12

2 (a) Explain the functions of an economic system. [8]

(b) Discuss possible reasons why mixed economic systems have replaced most of the former planned economic systems. [12]

9708/21/M/J/11

2 (a) Explain the role that a government should fulfil in a mixed economy. [8]

(b) Discuss the accuracy of the definition of public and merit goods as 'goods that must be provided by the government'. [12]

9708/22/M/J/11

4 (a) Explain why the successful operation of the division of labour depends upon the use of money. [8]

9708/22/M/J/11

2 (a) Explain how resources are allocated in a free market economy. [8]

(b) Discuss how the market system might be influenced by government intervention to provide appropriate quantities of goods and services. [12]

9708/23/M/J/11

2 (a) Show how production possibility curves may be used to explain any two economic ideas. [8]

(b) Discuss whether the combination of improved technology and globalisation will result in solving the basic economic problem. [12]

9708/22/O/N/11

2 (a) Explain, with the help of a diagram, how an economy can in the short run and long run enjoy consumption beyond its current production possibility curve. [8]

9708/23/O/N/11

2 (a) Explain how division of labour can affect labour productivity. [8]

(b) Discuss how the operation of a barter economy would be affected by the introduction of money. [12]

9708/21/M/J/10

3 (a) 'A free market price operates as a rationing and allocating mechanism.' Explain how it does this. [8]

9708/21/M/J/10

2 (a) Explain how a country's production possibility curve depends upon its factors of production. [8]

9708/22/M/J/10

2 (a) With the help of examples, explain why different economic decision makers face the problem of scarcity. [8]

(b) Discuss why the mixed economy is the most common economic system. [12]

9708/23/M/J/10

2 (a) Explain how microeconomic and macroeconomic issues may be represented using production possibility curves. [8]

(b) Discuss whether money or the division of labour is likely to have contributed more to economic progress. [12]

9708/21/O/N/10

2 (a) An economy can produce agricultural and industrial goods. Explain the possible effects on its production possibility curve if there is an increase in the productivity of its agricultural workers. [8]

(b) Discuss whether a market economy can solve the problem of scarcity more effectively than a command economy. [12]

9708/21/M/J/09

3 (a) Explain why a lighthouse is often given as an example of a public good while a light bulb is not. [8]

9708/22/O/N/09

2 (a) Explain the three economic questions that all economies face because of the basic economic problem. [8]

(b) Discuss whether the price mechanism is an effective way to solve the basic economic problem. [12]

9708/02/M/J/08

2 (a) Explain the characteristics required by money if it is to carry out its functions effectively. [8]

9708/02/O/N/08

2 (a) Explain the contributions of enterprise and division of labour to an economy. [8]

(b) Discuss the desirability of the worldwide movement towards the market economy and away from the planned economy. [12]

9708/02/M/J/07

3 (a) Explain how resources are allocated in a market economy. [8]

9708/02/O/N/07

3 (a) Explain, with examples, the difference between a demerit good and a merit good. [8]

(b) Discuss two methods that a government might use to influence the consumption of demerit goods. [12]

9708/02/M/J/06

2 (a) Explain how production possibility curves might be used in assessing a country's economic performance. [8]

(b) Discuss whether a mixed economy is the best way for a country to deal with the basic economic problem. [12]

9708/02/O/N/06

2 (a) Explain the differences in the features of a market economy and a planned economy. [8]

9708/02/M/J/05

3 (a) Explain why economies make use of money. [8]

9708/02/M/J/05

(b) Discuss the view that 'labour is the most important factor of production and therefore the division of labour should be applied to its maximum extent'. [12]

9708/02/O/N/05

2 (a) An economy is faced by the exhaustion of an important natural resource at a time when it is introducing improved technology.

Explain how these events will affect the economy's production possibility curve. [8]

(b) Discuss whether the operation of a market economy always produces a desirable outcome. [12]

9708/02/M/J/04

4 (a) Explain the meaning of 'public good' and 'private good'. [8]

9708/02/O/N/04

2 (a) Explain the functions of price in a market economy. [10]

9708/02/M/J/03

2 (a) Explain what is meant by labour productivity, and show how changes in labour productivity may affect an economy's production possibility curve. [8]

(b) Discuss whether increased division of labour among workers and nations brings only benefits. [12]

9708/02/O/N/03

2 (a) Explain the link between the basic economic problem of scarcity and opportunity cost. [8]

(b) Discuss whether planning has any role to play in the allocation of resources in a modern, mixed economic system. [12]

9708/02/O/N/02

CHAPTER 2 : The price system and the microeconomy

3 (a) Explain two factors that are likely to make the supply of a product relatively price-inelastic. [8]

(b) Discuss the policies that governments might use to increase the price elasticity of supply of essential goods, and assess the likely effectiveness of such policies. [12]

9708/22/F/M/16

2 (a) Explain the meaning of the term 'equilibrium price and quantity' in the market for a good or service, and show how a new equilibrium position is established when there is a decrease in demand. [8]

9708/21/M/J/16

3 (a) Outline the functions of the factor enterprise in a modern economy, and explain how enterprise responds to a rise in the demand for a good. [8]

9708/21/M/J/16

3 (a) Explain the meaning of 'price elasticity of demand' and, using examples, outline the factors that would cause the demand for a good to be relatively price-elastic. [8]

(b) Discuss why entrepreneurs might want to change the price elasticity of demand for their products, and consider the extent to which this is achievable. [12]

9708/22/M/J/16

2 (a) Explain how economists use the concept of elasticity to distinguish between normal and inferior goods and between substitutes and complements. [8]

9708/23/M/J/16

2 (a) Explain two factors that are likely to make the supply of a product relatively price inelastic. [8]

(b) Discuss how governments might attempt to make the supply of an essential good more responsive to a change in its price and assess the likely effectiveness of such attempts. [12]

9708/21/M/J/15

2 (a) Explain how economists measure the way in which demand for a good changes when income changes and, with the help of a diagram, show why some goods are classified as 'inferior goods'. [8]

(b) Discuss how useful governments might find the concepts of price and income elasticity of demand when setting economic policy. [12]

9708/22/M/J/15

2 (a) With the help of diagrams, explain how economists use the concept of income elasticity of demand to distinguish between inferior goods and necessity goods. [8]

(b) Discuss how, during a worldwide recession when incomes in most countries are falling, economists might use the concept of income elasticity of demand to assess the impact of this recession. [12]

9708/23/M/J/15

2 (a) Explain, using the concept of income elasticity of demand, how a fall in incomes affects the demand for inferior goods and necessary goods. [8]

(b) Discuss the policies that businesses might adopt to maintain sales when incomes are falling and consider which is most likely to be successful. [12]

9708/21/O/N/15

2 (a) A study estimates that dark chocolate has a price elasticity of demand of $(-)$ 0.8 and that white chocolate has a price elasticity of demand of $(-)$ 1.4. Explain how chocolate producers could change price to increase total revenue for each type of chocolate. [8]

(b) Explain the factors that might cause a fall in demand for chocolate and discuss the extent to which chocolate producers have the power to stop this fall in demand happening. [12]

9708/22/O/N/15

2 (a) Explain whether you would expect the price elasticity of supply of an agricultural product, such as rice, in a market to be elastic or inelastic. [8]

(b) Discuss the extent to which a government can increase the supply of an agricultural product to an economy in the short-run and in the long-run. [12]

9708/21/M/J/14

2 (a) Explain the meaning of the term 'equilibrium price and quantity' in the market for a good or service and show how a new equilibrium is established when there is an increase in demand. [8]

9708/22/M/J/14

3 (a) Distinguish between income elasticity of demand and cross elasticity of demand and explain how each is used to identify different types of product. [8]

(b) Discuss which of these two types of elasticity would be more useful when predicting how a firm's revenues would change as demand factors change in a market economy. [12]

9708/22/M/J/14

2 (a) Explain the factors that might make the price elasticity of demand for a good highly inelastic. [8]

(b) Discuss why businesses might attempt to change the price elasticity of demand for their products and consider whether it is likely that they will be successful in their attempt. [12]

9708/23/M/J/14

2 (a) Using a supply and demand diagram, explain how the imposition of a subsidy on a good would affect the surplus enjoyed by the producers of that good. [8]

9708/21/O/N/14

3 (a) Explain the factors that determine whether the price elasticity of demand for a product has a high value or a low value. [8]

(b) Discuss whether it is both possible and beneficial for a business to change the price elasticity of demand for its product. [12]

9708/21/O/N/14

3 (a) Explain why the value of income elasticity of demand for a good can be positive, negative or zero, while the value of its price elasticity of demand is most likely to be negative. [8]

(b) Discuss whether price elasticity of demand is a more useful concept than income elasticity of demand for a business that is trying to increase its sales revenue. [12]

9708/22/O/N/14

3 (a) Explain, using economic analysis, how economists decide whether goods are substitutes or complementary goods. [8]

(b) Explain on which goods and services the government should impose indirect taxes to ensure that the incidence of the tax falls mainly on consumers, and discuss the extent to which consumer surplus would be affected. [12]

9708/23/M/J/13

3 A firm that produces yoghurt is given the following information about the price elasticity of demand of various flavours: strawberry (-0.8), vanilla (-1.0), pineapple (-2.5).

(a) Explain the pricing policy that the firm should adopt for each of the flavours if it wants to increase total revenue. [8]

(b) Explain the factors that would lead to an increase in the demand for all types of yoghurt and discuss the extent to which the firm can influence these factors. [12]

9708/21/O/N/13

3 (a) Explain, using elasticity of demand, the possible reasons why in some countries there has been an increased use of private transport instead of public transport. [8]

9708/21/M/J/12

3 (a) Explain, using elasticity of demand, why a train company might introduce a policy of raising fares at busy travel times and lowering fares at less busy travel times. [8]

9708/22/M/J/12

3 (a) Explain how income elasticity of demand and cross elasticity of demand can be used to classify different types of goods. [8]

9708/23/M/J/12

2 (a) Explain, with the aid of a diagram, what changes will alter the amount of consumer surplus available from the consumption of a good. [8]

9708/23/O/N/12

3 (a) Using economic analysis, explain the possible causes of the increase in the sales of electronic goods, such as mp3 players, in recent years. [8]

9708/22/M/J/11

3 (a) Explain how and why the price elasticity of supply of agricultural goods differs from that of manufactured goods. [8]

(b) Discuss whether the payment of government subsidies to farmers is a beneficial policy. [12]

9708/23/M/J/11

3 (a) Explain the influences which determine the level of demand for healthcare in an economy. [8]

9708/22/O/N/11

4 (a) Using a normal demand curve, explain how consumer surplus occurs. [8]

9708/22/M/J/10

3 (a) With reference to the relevant type of elasticity of demand, explain the terms (i) inferior good, and (ii) complementary good. [8]

(b) Discuss the importance of price in the effective operation of a mixed economy. [12]

9708/21/O/N/10

3 (a) Explain, with the aid of a diagram, how consumer surplus will be affected by the introduction of an indirect tax. [8]

9708/21/M/J/09

2 (a) Explain, with the help of a diagram, how the price of a product moves to a new equilibrium following a decrease in its supply. [8]

9708/21/O/N/09

2 (a) Explain how an equilibrium price for a product is established in the market and how it may change. [8]

(b) Discuss whether a firm's revenue would increase, in response to price and income changes, if the price elasticity and income elasticity of demand for its product became highly elastic. [12]

9708/02/O/N/07

2 (a) Explain, with examples, the significance of the value of a good's cross-elasticity of demand in relation to its substitutes and complements. [8]

(b) Discuss whether the demand for mobile phones (cell phones) is likely to be price-elastic or price-inelastic. [12]

9708/02/M/J/06

3 (a) Explain the meaning of the 'equilibrium price' of a good and how it is set in a free market. [8]

9708/02/O/N/05

3 (a) Increasing raw material costs cause the price of a good to rise. Explain the effect of this price rise for the good on the markets for its substitute and complementary goods. [8]

(b) Discuss the usefulness to businesses of a knowledge of price elasticity of demand and income elasticity of demand. [12]

9708/02/M/J/04

3 (a) Explain the difference between elastic, inelastic and fixed supply. [8]

(b) Discuss whether the elasticity of supply of manufactured goods is likely to be greater than the elasticity of supply of agricultural goods. [12]

9708/02/O/N/04

3 (a) Explain what influences the price elasticity of supply of a product. [8]

(b) Discuss whether farmers will benefit from producing goods which have low price elasticities of demand and supply. [12]

9708/02/M/J/03

CHAPTER 3 : Government microeconomic intervention

(b) Discuss the effectiveness of subsidies and indirect taxes in ensuring that the correct prices for merit and demerit goods are charged in the market. [12]

9708/22/F/M/16

(b) Discuss whether attempts to help poorer consumers through the introduction of a maximum price for necessities can ever be successful. [12]

9708/21/M/J/16

3 Most governments provide both defence and education services.

(a) Explain why defence and education services would not be provided in sufficient quantities if the government did not provide them. [8]

(b) Discuss how taxation and subsidies could improve the provision of defence and education services in an economy and consider the likely success of such policies. [12]

9708/23/O/N/15

(b) Discuss the view that attempts to help poorer consumers through the imposition of a maximum price for food items will always fail. [12]

9708/22/M/J/14

(b) Discuss whether minimum price legislation or the imposition of an indirect tax is more effective in improving resource allocation when the consumption of a good causes negative externalities. [12]

9708/21/O/N/14

2 (b) In view of the problems of allocation that might arise with effective maximum price legislation discuss how these problems might be overcome. [12]

9708/22/O/N/13

2 In September 2011 the Kenyan government reintroduced price controls to ensure that basic commodities were sold to the citizens at reasonable prices.

(a) With the help of a diagram(s), contrast the impact of a maximum price fixed below equilibrium market price with one that is fixed above it. [8]

(b) In view of the problems of allocation that might arise with effective maximum price legislation discuss how these problems might be overcome. [12]

9708/22/O/N/13

3 (b) Discuss whether it would be better if smoking were banned completely or whether it should be subject to an indirect tax. [12]

9708/22/O/N/13

(b) Discuss the economic reasons for subsidising public transport and taxing private transport. [12]

9708/21/M/J/12

(b) Discuss why some governments decide that it is undesirable to leave the provision of private goods, such as train travel, to the private sector. [12]

9708/22/M/J/12

(b) Discuss the effectiveness of government use of maximum and minimum prices to help consumers and producers. [12]

9708/23/M/J/12

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]

9708/21/O/N/12

(b) Suggest two possible reasons why a government might increase the indirect tax on such goods and discuss, in light of these reasons, the likely effectiveness of such a policy. [12]

9708/22/M/J/11

(b) Discuss whether the payment of government subsidies to farmers is a beneficial policy. [12]

9708/23/M/J/11

2 (a) Explain how a government's approach to making a decision about a construction project might differ from that of a private firm. [8]

(b) Discuss whether economists would classify healthcare and national defence in the same way. [12]

9708/21/O/N/11

3 (a) Explain the influences which determine the level of demand for healthcare in an economy. [8]

(b) Discuss whether healthcare can and should be provided by the free market. [12]

9708/22/O/N/11

(b) Discuss why certain goods and services are usually supplied directly by the government rather than through the market. [12]

9708/21/M/J/10

3 (a) With the help of a diagram, explain why some goods are produced in quantities greater than is socially desirable. [8]

(b) Discuss whether national defence or a public park is the better example of a public good. [12]

9708/22/M/J/10

(b) With the help of diagrams, discuss whether consumers will benefit from the introduction on a product of (i) an indirect tax, and (ii) an effective maximum price. [12]

9708/22/M/J/10

(b) Discuss the advantages and disadvantages of using indirect taxes to deal with the negative externalities associated with some products. [12]

9708/21/M/J/09

3 (a) Explain, with the help of an example, the effects when a government introduces a maximum price for a good or service. [8]

(b) With the help of a diagram, discuss how desirable it is for a government to pay subsidies to producers. [12]

9708/22/M/J/09

(b) Discuss whether government intervention always improves the operation of the market. [12]

9708/21/O/N/09

2 (a) With the aid of a diagram, explain how a government subsidy to producers of fuel will affect the producers and government expenditure. [8]

(b) Discuss how reduced air fares on low-cost budget airlines might affect the air travel market and the markets for related goods and services. [12]

9708/22/O/N/09

(b) Discuss, with the aid of a demand and supply diagram, the effects on consumers and producers when the government introduces an indirect tax on a good. [12]

9708/02/O/N/07

(b) Discuss the desirability of the direct provision of goods and services by the government. [12]

9708/02/M/J/05

(b) Discuss the use of indirect taxes and subsidies by governments to deal with externalities. [12]

9708/02/O/N/05

(b) Discuss whether the introduction of maximum prices by a government would solve the problem of scarcity. [10]

9708/02/M/J/03

3 (a) Explain the effect of the removal of an indirect tax upon the market for a product. [8]

(b) Discuss whether an indirect tax is a satisfactory way to tackle a negative externality, such as air pollution. [12]

9708/02/O/N/03

(b) Discuss how a government might increase the provision of public and merit goods. [12]

9708/02/O/N/02

CHAPTER 4 : The macro economy

3 (a) Define the components of aggregate demand and, with the help of a diagram, explain how an increase in spending in an economy might result in inflation. [8]

(b) If an economy is experiencing inflation, discuss the view that its government should be more concerned about the external effects of inflation than its effects within the domestic economy. [12]

9708/02/SP/16

4 (a) Explain the meaning of the term 'protection' in the context of international trade and describe two methods of protection used by governments. [8]

(b) Discuss, with examples, how international trade protection may affect consumers and producers in an economy and to what extent protection can be justified. [12]

9708/02/SP/16

4 (a) Outline the components of aggregate demand and explain one cause of an increase and one cause of a decrease in aggregate demand in an economy. [8]

(b) Compare two policies that may be considered to solve the problem of demand-pull inflation and evaluate which is likely to be the more effective. [12]

9708/22/F/M/16

4 (a) Explain what might cause a favourable movement in an economy's terms of trade. [8]

(b) Discuss whether overall a favourable movement in an economy's terms of trade would be likely to have positive or negative effects on the economy. [12]

9708/21/M/J/16

4 (a) Use production possibility diagrams to explain how specialisation and international trade can improve the standard of living of consumers in a country. [8]

(b) Discuss whether protection of domestic industries can ever be justified, given the benefits of specialisation and trade. [12]

9708/23/M/J/16

(b) Explain how a significant rise in the general price level will affect the current account of the balance of payments of an economy and discuss whether this is likely to turn a deficit into a surplus. [12]

9708/21/M/J/15

4 (a) Explain how a declining exchange rate and a high rate of inflation in an economy might affect that economy's terms of trade. [8]

(b) Discuss the advantages and disadvantages to an economy of a fall in that economy's terms of trade and consider whether the overall effects are likely to be beneficial. [12]

9708/22/M/J/15

4 (a) Define each component of aggregate demand and, using a diagram, show how a reduction in one of these components might reduce inflationary pressure in an economy. [8]

(b) Discuss the impact of a high rate of inflation on the consumers and producers in an economy and assess whether consumers or producers would suffer more. [12]

9708/23/M/J/15

3 (a) With the help of diagrams, explain how both cost-push and demand-pull inflation can be caused by a falling exchange rate. [8]

(b) Distinguish between the domestic and external consequences of inflation and discuss which are the more damaging to an economy. [12]

9708/21/O/N/15

4 Assume, in a two-country, two-product world, that one economy is more efficient at producing both products.

(a) Explain how the efficient economy can benefit from specialisation and trade with the less efficient economy. [8]

(b) Evaluate the economic reasons that the less efficient economy might offer to justify protection of its industries. [12]

9708/21/O/N/15

4 (a) In a two-country world, one country is more efficient at producing one product and the other country is more efficient at producing another product. Explain why specialisation and trade usually benefit both countries. [8]

(b) Suppose one country is more efficient at producing both products. Discuss whether it is the case that specialisation and trade will always benefit both countries. [12]

9708/22/O/N/15

4 (a) Explain how an increase in the quantity of money in an economy and a decline in an economy's exchange rate can both cause inflation. [8]

(b) Discuss the impact of a high rate of inflation on an economy and consider whether reducing inflation should take priority over removing a deficit on the current account of the balance of payments. [12]

9708/23/O/N/15

(b) Discuss whether money is able to perform all of its functions in an economy that is experiencing a high rate of inflation. [12]

9708/21/M/J/14

4 (a) Using diagrams, explain the difference between demand-pull and cost-push causes of inflation. [8]

(b) Distinguish between the domestic and external consequences of inflation and discuss which is most damaging to an economy. [12]

9708/22/M/J/14

4 (a) Explain the factors that might cause an economy to experience a current account deficit. [8]

(b) Discuss the policies available to a government faced with a current account deficit and consider which policy has the fewest disadvantages for the consumers in that economy. [12]

9708/23/M/J/14

4 (a) Explain how tariffs and an undervalued exchange rate can operate to protect a domestic market from foreign competition. [8]

(b) Discuss whether protectionism disadvantages most people in the protected country. [12]

9708/21/O/N/14

4 (a) Explain how a rise in the rate of interest might cause a shift in an economy's aggregate demand curve. [8]

(b) Discuss whether inflation is more likely to be caused by a shift in an economy's aggregate demand or a shift in its aggregate supply. [12]

9708/22/O/N/14

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]

9708/23/O/N/14

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]

9708/23/O/N/14

3 (a) Explain how unemployment and inflation are measured. [8]

(b) With the help of diagrams, analyse the factors that will lead to an increase in aggregate demand in an economy, and discuss whether this increase is more likely to have an impact on inflation or unemployment in that economy. [12]

9708/21/M/J/13

4 (a) In a two country world one country is more efficient at producing one product and the other country is more efficient at producing another product. Explain why specialisation and trade usually benefit both countries. [8]

(b) Suppose one country were more efficient at producing both products. Discuss whether it is the case that specialisation and trade will always benefit both countries. [12]

9708/21/M/J/13

3 (a) Define the components of aggregate demand and, with the help of a diagram, explain how an increase in spending in an economy might result in inflation. [8]

(b) If an economy is experiencing inflation, discuss the view that its government should be more concerned about the external effects than its effects within the domestic economy. [12]

9708/22/M/J/13

4 (a) Explain the meaning of the term 'protection' in the context of international trade and describe two methods of protection used by governments. [8]

(b) Discuss, with examples, how international trade protection may affect consumers and producers in an economy and whether on balance protection can be justified. [12]

9708/22/M/J/13

4 The best way to reduce a deficit on the current account of the balance of payments is to change the value of the deficit country's exchange rate.

(a) Explain how a change in a country's exchange rate might reduce a deficit on the current account of its balance of payments. [8]

(b) Discuss whether changing the exchange rate or imposing tariffs is the better way of reducing a deficit on the current account of the balance of payments. [12]

9708/23/M/J/13

4 (a) Use a diagram to explain how a fall in the rate of interest in a country can cause its foreign exchange rate to change. [8]

(b) Discuss whether a rise in its exchange rate or a fall in its exchange rate is more beneficial for an economy. [12]

9708/21/O/N/13

4 (a) Explain, with the help of a diagram, how a policy of expenditure dampening in an economy would affect aggregate demand, prices and output in that economy. [8]

(b) Discuss whether a policy of expenditure switching is more appropriate than a policy of expenditure dampening in an economy with a large balance of payments current account deficit and a high rate of inflation. [12]

9708/22/O/N/13

(b) Explain the effects on the functions of money of a significant rise in the general price level and discuss which you consider to be most damaging for a modern economy. [12]

9708/23/O/N/13

4 In October 2011, the Chinese Government said that they would not allow a further rise in the international value of China's currency, the yuan, because the Chinese economy would be damaged.

(a) Explain how exchange rates are determined in a free market and how some governments intervene to manage their exchange rate. [8]

(b) Explain the costs and benefits of a rising exchange rate and discuss whether on balance an economy 'would be damaged' by a rising exchange rate. [12]

9708/23/O/N/13

4 (a) Use economic analysis to explain the benefits of international trade. [8]

(b) Discuss whether restrictions on international trade can ever be justified. [12]

9708/21/M/J/12

4 (a) Explain, with the help of a diagram, how a government can maintain a stable foreign exchange rate. [8]

(b) Discuss whether a government should be more concerned by an unstable foreign exchange rate or by an unstable domestic price level. [12]

9708/22/M/J/12

4 (a) How does aggregate demand and aggregate supply analysis explain the existence of inflation in the short run? [8]

(b) Discuss whether a period of inflation or a period of deflation is more economically desirable. [12]

9708/23/M/J/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]

9708/21/O/N/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]

9708/21/O/N/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]

9708/22/O/N/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]

9708/22/O/N/12

3 (a) Explain the factors that might cause a fall in a country's terms of trade. [8]

(b) Discuss the view that unrestricted free trade has as many disadvantages as advantages. [12]

9708/23/O/N/12

4 (a) Explain how an economy may face a deficit in its trade in goods yet have a surplus on its current account of the balance of payments. [8]

(b) Discuss whether a satisfactory balance of payments, a strong exchange rate and a low rate of inflation are likely to be achieved at the same time. [12]

9708/23/O/N/12

3 (a) Explain how the effects of a devaluation on the level of economic activity differ from those of a deflation. [8]

(b) Discuss whether inflation can be both the cause and the result of fluctuations in an economy's exchange rate. [12]

9708/21/M/J/11

4 (a) Explain how the different international transactions of a country are recorded in its balance of payments account. [8]

(b) Discuss the use of tariffs and quotas as policies to reduce a current account deficit. [12]

9708/21/M/J/11

(b) Discuss whether it is the behaviour of producers, consumers or governments that is most likely to cause inflation. [12]

9708/22/M/J/11

4 (a) Explain the limitations of the theory of comparative advantage in accounting for a country's pattern of trade. [8]

(b) Discuss whether the introduction of trade barriers against imports can always be justified. [12]

9708/23/M/J/11

3 (a) Explain what determines a country's comparative advantage in production. [8]

(b) Discuss the effectiveness of expenditure-switching policies in reducing a current account deficit on the balance of payments. [12]

9708/21/O/N/11

4 (a) Explain the factors which determine the size and productivity of a country's labour force. [8]

(b) Discuss the problems that governments face in trying to produce accurate unemployment statistics. [12]

9708/21/O/N/11

4 (a) Explain what might cause an improvement in a country's terms of trade. [8]

(b) Discuss whether a country should be more concerned by a fall in its terms of trade or a fall in its domestic price level. [12]

9708/22/O/N/11

3 (a) Explain the significance of a rise in the terms of trade for a country. [8]

(b) Discuss whether government action is the most likely cause of a current account surplus on the balance of payments. [12]

9708/23/O/N/11

4 (a) Explain, with the help of a diagram, the effect of a depreciation of a country's exchange rate on that country's rate of inflation. [8]

(b) Inflation affects an economy both domestically and internationally. Discuss which effect is likely to be more significant. [12]

9708/23/O/N/11

4 (a) With the aid of a diagram, explain why an economy's floating exchange rate may depreciate. [8]

(b) Discuss whether a current account deficit is always a serious economic problem for a country. [12]

9708/21/M/J/10

(b) Discuss how well comparative advantage explains the pattern of international trade. [12]

9708/22/M/J/10

4 (a) Explain the relevance of the Marshall-Lerner condition and the J-curve effect to the success of a currency devaluation. [8]

(b) There are various influences on the international value of a currency in a floating exchange rate system. Discuss their relative importance in different economies. [12]

9708/23/M/J/10

4 (a) Explain why it is important to have an accurate measure of inflation. [8]

(b) Discuss the methods and problems involved in constructing an accurate measure of the rate of inflation. [12]

9708/21/O/N/10

3 (a) Explain why a low and stable rate of inflation may be beneficial to an economy. [8]

(b) Discuss whether rapid inflation can be caused only by government actions. [12]

9708/23/O/N/10

4 (a) Explain (i) the difference between trade creation and trade diversion [4]

9708/23/O/N/10

(b) Discuss whether a balance of payments current account deficit necessarily indicates a weak economy. [12]

9708/23/O/N/10

4 (a) Explain why there can be problems for an economy if the internal value of its money is unstable. [8]

(b) Discuss whether it is possible to construct a consumer price index that is an accurate measure of changes in the cost of living for all households. [12]

9708/21/M/J/09

4 (a) Explain the 'infant industry' and anti-dumping arguments for the introduction of tariffs. [8]

(b) Discuss whether trade arrangements, such as the European Union or the South Asian Free Trade Area, encourage or discourage the benefits of free trade. [12]

9708/22/M/J/09

3 (a) Explain why it is usually more difficult to trade internationally than domestically. [8]

(b) Discuss, with examples, how far the global distribution of factors of production determines what a country imports and exports. [12]

9708/21/O/N/09

4 (a) Explain how a rapid rate of inflation in a country will affect its floating exchange rate. [8]

(b) Discuss whether a government should operate a fixed exchange rate system. [12]

9708/21/O/N/09

4 (a) Compare the aims and features of a free trade area with those of an economic union. [8]

(b) Discuss whether an improvement in a country's terms of trade always works to its benefit. [12]

9708/22/O/N/09

(b) Discuss whether a widespread shortage of labour might be a major cause of inflation. [12]

9708/02/M/J/08

4 (a) Explain what is meant by a current account deficit. [8]

(b) Discuss the effectiveness and desirability of imposing tariffs to correct a current account deficit. [12]

9708/02/M/J/08

(b) Discuss whether a country should welcome a period of deflation (negative inflation). [12]

9708/02/O/N/08

4 (a) How might opportunity cost help to explain the pattern of international trade? [8]

(b) Discuss whether the formation of regional trading groups, such as ASEAN and NAFTA, is desirable. [12]

9708/02/O/N/08

3 (a) Explain how the rate of inflation is measured. [8]

(b) Discuss how a rapid rate of inflation might affect different groups within an economy. [12]

9708/02/M/J/07

(b) Outline the current account position of your country or another economy you have studied. Discuss its ability to improve its performance on the current account. [12]

9708/02/M/J/07

(b) Unemployment can be measured by the claimant count or the labour force survey. Discuss the relative reliability of these two measures. [12]

9708/02/O/N/07

4 (a) Explain, with the aid of diagrams, how a government would maintain a fixed exchange rate. [8]

(b) Discuss whether it is better for a country with a floating exchange rate to face an appreciation or a depreciation of its currency. [12]

9708/02/M/J/06

3 (a) Explain the difference between absolute and comparative advantage. [10]

(b) Discuss whether the principle of comparative advantage is a satisfactory explanation of the trade pattern of an economy with which you are familiar. [10]

9708/02/O/N/06

4 (a) Explain the difference between cost-push inflation and demand-pull inflation. [8]

(b) Discuss whether a country experiencing inflation will always have a balance of payments problem. [12]

9708/02/O/N/06

b) Discuss whether stability in the domestic value of money is essential for a country's economic well-being. [12]

9708/02/M/J/05

4 (a) Explain how a country's balance of payments is organised to account for all its international transactions. [8]

(b) A country has a deficit on the current account of its balance of payments. Discuss whether this is necessarily harmful to the country. [12]

9708/02/M/J/05

(b) Discuss whether free international trade in goods should be encouraged. [12]

9708/02/O/N/05

4 (a) Explain why it is difficult to measure unemployment accurately. [8]

9708/02/O/N/05

4 (a) Explain how the determination of a floating exchange rate differs from that of a fixed exchange rate. [8]

(b) Discuss the circumstances in which reducing the exchange rate and introducing quotas are effective policies to tackle a trade deficit. [12]

9708/02/M/J/04

2 (a) Explain how inflation affects the functions of money. [8]

(b) Discuss the view that inflation is always a major problem. [12]

9708/02/O/N/04

4 (a) Explain the difficulties of measuring inflation accurately. [8]

(b) Discuss whether inflation is necessarily harmful. [12]

9708/02/M/J/03

4 (a) Explain what may cause a country's terms of trade to change. [8]

(b) Discuss whether a worsening in a country's terms of trade will cause a worsening of its balance of trade. [12]

9708/02/O/N/03

3 (a) Explain how the international value of a currency is determined in a floating exchange rate system. [8]

(b) Discuss whether an appreciation in the exchange rate is to the advantage of an economy. [12]

9708/02/O/N/02

CHAPTER 5: Government macro intervention

4 (a) Using examples, explain the instruments of monetary policy and supply-side policy. [8]

(b) Discuss the advantages and disadvantages of supply-side policy and consider its effectiveness in an economy that is facing a labour shortage. [12]

9708/22/M/J/16

4 (a) Explain, with the help of a diagram, how a policy of expenditure dampening in an economy would affect aggregate demand, prices and output in that economy. [8]

(b) Discuss whether a policy of expenditure switching is more appropriate than a policy of expenditure dampening in an economy with a large balance of payments current account deficit and a high rate of inflation. [12]

9708/22/O/N/13

(b) Discuss the effectiveness of expenditure-switching policies in reducing a current account deficit on the balance of payments. [12]

9708/21/O/N/11

4 (a) Explain (ii) the difference between expenditure-dampening and expenditure-switching trade policies. [4]

9708/23/O/N/10

4 (a) Explain the difference between expenditure-switching and expenditure-dampening policies as a means of correcting a balance of payments disequilibrium. [8]

9708/02/M/J/07