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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **October/November 2017**

1 hour 30 minutes

No Additional Materials are required.



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 **Question 1**.
Brief answers only are required.

Section B
Answer **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.

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Section A

Answer this question.

1 **The world market for rice**

Table 1: The World Price of Rice
(World average price index, 2004 = 100)

Year	Rice Price Index
2011	242
2012	231
2013	233
2014	235
2015	211

Source: F.A.O.

The market for rice is more distorted than that for any other basic food.

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Rice-exporting countries should encourage this by dismantling controls of their own.

Source: adapted from The Economist, 14 November 2015

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1 **(a)** Using Table 1, calculate the percentage change in the price of rice from 2014 to 2015. [2]

(b) Explain how rice farmers in Japan benefit from subsidies on fertilisers, power and water. Use a diagram to support your answer. [3]

(c) Explain how minimum prices will protect the interests of rice farmers. Consider whether the minimum price can be sustained in the long run. [5]

(d) Explain how the principle of comparative advantage might be used to justify Thailand and Vietnam specialising in rice production and Japan specialising in some other product. [4]

(e) Discuss the advantages and disadvantages of rice-importing countries removing their controls on the rice market. Consider whether on balance the controls should be kept. [6]

Section B

Answer **one** question.

2 **(a)** Explain the factors that determine whether the price elasticity of demand for a good is likely to be relatively inelastic. [8]

(b) Discuss if it is more useful for governments to have knowledge of the price elasticity of demand or the income elasticity of demand for certain products. [12]

3 **(a)** Explain how a production possibility curve with increasing opportunity costs illustrates the consequences of a government's choice to produce more military goods. Use a diagram to support your answer. [8]

(b) Discuss whether supply side policies are the most effective way to generate growth in an economy. [12]

4 **(a)** Show how exchange rates are determined in a freely floating system. Explain how a high rate of inflation in an economy can lead to depreciation in that economy's exchange rate. Use a diagram to support your answer. [8]

(b) Discuss the advantages and disadvantages of a freely floating exchange rate. Consider whether on balance it is preferable to a fixed rate system. [12]

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