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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 AS Level Data Response and Essays **October/November 2023**

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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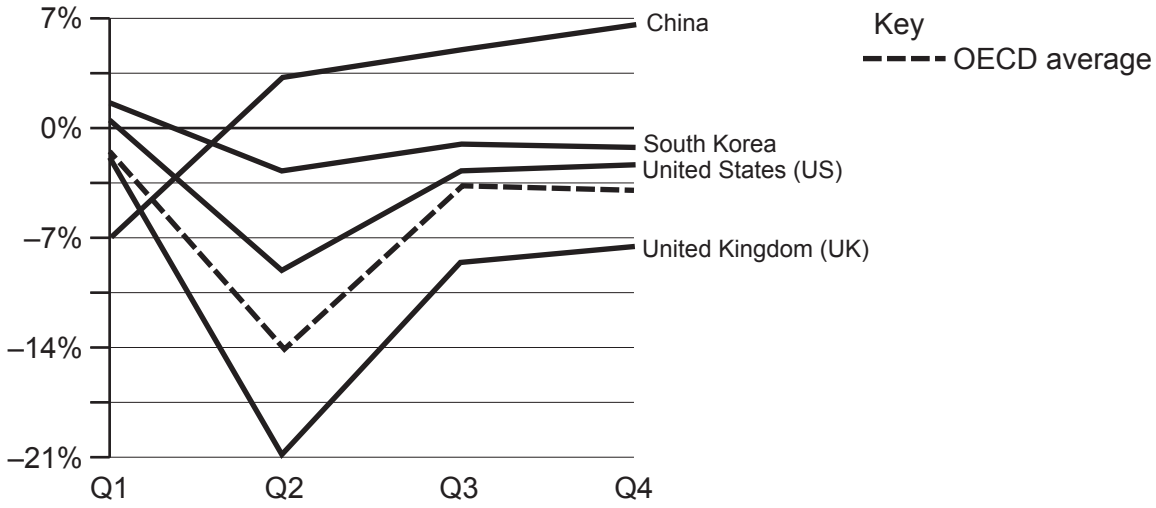
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Section A

Answer all parts of Question 1.

1 Varied responses to the COVID-19 pandemic

The COVID-19 pandemic had a very significant impact on the global economy in 2020. Negative economic growth rates were recorded for all major economies. The speed, unexpected and unprecedented nature of the downturns has been devastating for businesses, governments and populations. Individual economies reacted to the pandemic differently. Fig. 1.1 shows quarterly economic growth rates in 2020 for four selected countries compared to the OECD (Organisation for Economic Co-operation and Development) average.



Source: OECD, 2021

Fig. 1.1 Annual change to quarterly gross domestic product (GDP) in selected countries in 2020 compared to the OECD average.

China's economic performance in 2020 was the exception. China was the first country to experience the pandemic. It has also been the first economy to recover from recession, a period of two consecutive quarters of negative economic growth. The Chinese government was quick to enforce lockdowns to limit the pandemic and there was rapidly increasing demand for exports of PPE (personal protection equipment) and other Chinese-made products.

The case of neighbouring South Korea was different. Like China, the impact of the pandemic was more effectively contained than in other economies and growth in South Korea's economy was less affected. There was, however, little evidence in the data that by the end of 2020, South Korea's economy would recover to its pre-2019 position of strong economic growth.

The economies of the US and the UK had negative quarterly economic growth throughout 2020. Economists in these countries have disagreed about how best to increase the rate of economic growth after the pandemic. The governments of both countries introduced very high government spending programmes to encourage the return to economic growth in 2021. However, monetary policies have been widely promoted by many economists as an alternative to more traditional fiscal measures.

Source: OECD

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(a) Explain the meaning of 'negative economic growth'. [2]

(b) Which country shown in Fig. 1.1 experienced the most severe recession in 2020? Justify your answer. [2]

(c) State **two** likely economic reasons why China experienced strong economic growth starting in the second quarter of 2020 and consider which of these is likely to have generated the greater rate of growth. [4]

(d) Assess how economic recovery is likely to have affected employment and price stability in China. [6]

(e) Assess whether monetary policies are the best way for high-income countries such as the US and the UK to produce an economic recovery. [6]

Section B

Answer **one** question.

EITHER

2 **(a)** The price elasticity of supply (PES) for a new smartphone is estimated to be 0.8 in the short run and 1.8 in the long run.

Explain what these estimates mean for producers and consumers of smartphones **and** consider why the estimates differ. [8]

(b) Assess whether knowledge and understanding of price elasticity of demand (PED) or cross elasticity of demand (XED) is likely to be more useful to a producer of smartphones. [12]

OR

3 **(a)** Explain why the provision of bus and local rail (mass transit) services in cities is classified as a private good not a public good **and** consider why such services might only be provided by the private sector. [8]

(b) Assess whether bus and local rail systems in cities should receive substantial subsidies from governments. [12]

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Section C

Answer **one** question.

EITHER

4 **(a)** With reference to a country that is known to you, explain the main causes of unemployment **and** consider which of these causes is most significant. [8]

(b) Assess whether supply-side policy is the only way of reducing long-term unemployment in an economy. [12]

OR

5 **(a)** Explain how import tariffs might correct an imbalance in the current account of the balance of payments **and** consider whether these tariffs are the best way of correcting such an imbalance. [8]

(b) A country has a persistent deficit on the current account of its balance of payments.

Assess the likely consequences for the domestic and external economy of this country. [12]

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