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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

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

2 hours

8815727313

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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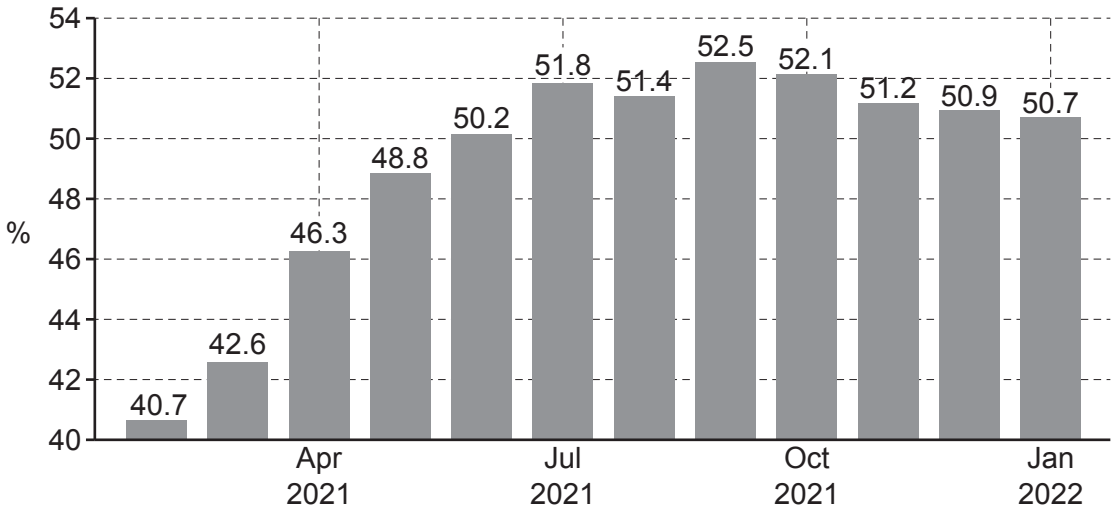
Section A

Answer all parts of Question 1.

1 **Inflation in Argentina**

Argentina's annual inflation rate increased from just over 40% in February 2021 to just over 50% in January 2022. Argentina's annual inflation rate, as measured by changes in the consumer price index (CPI) over 12 months is shown in Fig. 1.1.



Source: tradingeconomics.com, 19 October 2022

Fig. 1.1 Annual rate of inflation in Argentina, February 2021 to January 2022

Argentina has the fifth highest inflation rate in the world after Venezuela, Sudan, Suriname and Zimbabwe. It is forecast to continue to rise during 2022 to reach an annual rate of between 55% and 58% by the end of the year. One of the main reasons for this high rate of inflation is excessive growth of the money supply. The need to lower the rate of inflation in Argentina is considered essential by many economists.

The government of Argentina has tried to control the increase in the rate of inflation by imposing maximum prices on 1432 products. This has the advantage of limiting price increases, but such a policy can also have a number of disadvantages. One such disadvantage is the creation of excess demand in markets.

Another policy has been to increase interest rates. In January 2022, Argentina's central bank raised its main interest rate from 38% to 40%, but many economists argued that this increase was insufficient to control inflation. This is because the real interest rate will be negative. A more appropriate monetary policy would be to lift the interest rate above the inflation rate so that the real interest rate will be positive.

Source: Adapted from: Buenos Aires Times, 15 February 2022

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(a) Using the data in Fig. 1.1, describe the trend shown in the annual inflation rate in Argentina over the period February 2021 to January 2022. [2]

(b) Explain what is meant by 'the real interest rate will be negative' in Argentina in January 2022. [2]

(c) Consider the extent to which having 'the fifth highest inflation rate in the world' is likely to be a problem for Argentina's economy. [4]

(d) Assess whether the potential benefits of introducing maximum prices on 1432 products in Argentina are likely to outweigh the potential disadvantages. [6]

(e) Assess the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina. [6]

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Section B

Answer **one** question.

EITHER

2 **(a)** Explain the determinants of supply for an agricultural product, such as rice, **and** consider which of these determinants is likely to be of the greatest significance at the present time. [8]

(b) Assess whether the supply of agricultural products is likely to be more price elastic or less price elastic than the supply of manufactured products. [12]

OR

3 **(a)** With the help of a diagram, explain the significance of a position within a market economy's production possibility curve (PPC) **and** consider whether such a position is likely to be permanent. [8]

(b) Assess whether consumers always benefit when the government of a mixed economy reduces the role of the market mechanism in allocating resources. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** Explain **two** possible causes of economic growth **and** consider whether the consequences of economic growth for an economy will always be positive. [8]

(b) Assess whether a government should always aim for an expansionary fiscal policy rather than a contractionary fiscal policy. [12]

OR

5 **(a)** Explain the potential advantages of free trade **and** consider whether such advantages are always greater than the potential disadvantages of free trade. [8]

(b) Assess whether an economy will always benefit from having a surplus on the current account of its balance of payments. [12]

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