



# Cambridge International AS & A Level

## ECONOMICS

9708/22

Paper 2 AS Level Data Response and Essays

February/March 2023

2 hours



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.

**Section A**

Answer this question.

**1**

**Inflation in the United States (US)**

Prices are rising much faster than expected across the world's economies, including the US.

**Content removed due to copyright restrictions.**

**Content removed due to copyright restrictions.**

Some economists believe that interest rates in the US may need to rise from 0.25% to as high as 4.50% to 'cool' the economy and reduce the rate of inflation and that this is likely to happen sooner rather than later.

*Source: Adapted from 'Boom and doom?', a briefing on inflation, The Economist 10 July 2021.*

- (a) Using Fig. 1.1, compare the US inflation rate between July and December 2020 with that between January and June 2021. [2]
- (b) Using the information provided, explain what is meant by 'the US government's economic stimulus package'. [2]
- (c) Consider the extent to which an increase in interest rates could reduce the rate of inflation in the US. [4]
- (d) With the help of an AD/AS diagram, assess whether the rising inflation rate in the US has been caused by changes to the demand side or changes to the supply side of the economy. [6]
- (e) Assess the possible consequences of a rising rate of inflation for a country such as the US. [6]

**Section B**

Answer **one** question.

**EITHER**

- 2 (a) Explain the functions of price in resource allocation **and** consider the importance of these functions in relation to the potential effectiveness of a market economy. [8]
- (b) Assess whether all market economies should become mixed economies. [12]

**OR**

- 3 (a) Explain the possible economic reasons for inequality of income **and** consider whether inequality of income can benefit an economy. [8]
- (b) With the help of a diagram, assess whether the introduction of a minimum price in a market can be justified. [12]

**Section C**

Answer **one** question.

**EITHER**

- 4 (a) Explain the circular flow of income in a closed economy **and** consider the extent to which the circular flow of income changes as an economy becomes an open economy. [8]
- (b) Assess whether the consequences of economic growth for an economy are always positive. [12]

**OR**

- 5 (a) With the help of a diagram, explain what is meant by an appreciation of a floating exchange rate **and** consider whether a country can only benefit from the appreciation of its currency. [8]
- (b) Assess whether supply-side policies are the most effective way to correct a deficit on the current account of the balance of payments of an economy. [12]

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cambridgeinternational.org](http://www.cambridgeinternational.org) after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.