

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
**General Certificate of Education Advanced Level**

**ECONOMICS**

**9708/4**

PAPER 4 Data Response and Essays (Extension)

**OCTOBER/NOVEMBER SESSION 2002**

2 hours 15 minutes

Additional materials:  
Answer paper

**TIME** 2 hours 15 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer paper/ answer booklet.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

**Section A**

Answer this question.

**Section B**

Answer any **two** questions.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

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**This question paper consists of 4 printed pages.**



Please note Question 1 has been removed from this question paper for copyright reasons.

**Section B**

Answer any **two** questions.

- 2** 'In a free competitive market, a shortage causes price to rise, a surplus causes price to fall. In some markets this does not happen because a minimum price is fixed by producers.'
- (a) With the aid of diagrams and examples, explain why prices rise when there are shortages and fall when there are surpluses. [10]
- (b) Discuss the factors that a group of companies might consider when deciding to fix a minimum price in a market. [15]
- 3** (a) Explain what is meant by productive and allocative efficiency. [10]
- (b) 'A firm should be encouraged to maximise profits because this makes it efficient.' Discuss whether this argument is true for a firm operating in an imperfect market. [15]
- 4** (a) Assume there is an open economy with a government sector. Explain the conditions for equilibrium in the circular flow in such an economy. [10]
- (b) Discuss how an increase in injections may affect the equilibrium level of national income. [15]
- 5** A government's macroeconomic aims are low inflation, low unemployment, balance of payments equilibrium and economic growth. Individuals see their standard of living as more affected by a well-paid job, low crime rates and a pleasant environment.
- Discuss how far the government can meet the desires of individuals by satisfying its macroeconomic aims. [25]
- 6** The aim of most developing countries is to become developed. If this aim is achieved, will it always bring benefit to the population of the developing country? [25]
- 7** (a) Explain with the aid of examples how price discrimination can operate. [12]
- (b) Discuss whether price discrimination can ever be of benefit to consumers. [13]