CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/24**

Paper 2 AS Level Data Response and Essays **May/June 2026**

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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Section A

Answer all parts of Question 1.

1 **Economic problems in Argentina**

At the start of 2024, Argentina faced its worst economic crisis in two decades. The budget balance was in deficit at 4.4% of Gross Domestic Product (GDP). The International Monetary Fund (IMF) had suspended the provision of financial aid to the country due to Argentina owing it US$43bn.

The Argentinian government decided to take drastic action to move the budget from a deficit into a surplus by the end of 2024. The Minister of Economics stated that the aim was to ‘solve the addiction to fiscal deficits’. Argentina’s budget had been in deficit for 113 of the past 123 years. The proposed package of economic reforms, intended to restore fiscal discipline in Argentina, included the following:

- Annual government spending would be cut by 3% of GDP and annual government revenue would be increased by 2% of GDP
- Argentina’s currency, the peso, would be allowed to depreciate
- Subsidies would be reduced in certain industries, including electricity and transport
- Certain government-owned firms would be privatised
- Restrictions on many industries reduced
- Many price controls, both in terms of a minimum price and a maximum price, would be removed
- Tariffs on imported goods would be increased from 7.5% to 17.5%

The Argentinian government was also seeking to increase the level of productivity in the economy. The President announced that there was no alternative to tighter fiscal policy and that tough times lay ahead. He stressed that it was crucial to Argentina’s economic future that improvements to the supply side of the economy were implemented. The size of the state and the extent of state influence in the economy should be reduced.

The economic situation in Argentina at the start of 2024, however, was extremely difficult. Table 1.1 shows selected data for 2023. The inflation rate was one of the highest in the world, overtaking Venezuela as the country with the highest price rises in South America.

Table 1.1 Selected economic data for Argentina, 2023

Change in Gross Domestic Product (% change over previous 12 months)	–2.7%
Increase in consumer prices (% change over previous 12 months)	254%
Rate of unemployment	5.7%
Current account deficit (% of GDP)	–3.4%

Source: Adapted from; Shock therapy: Resisting Mr Milei, The Economist*, 20 January 2024*

(a) ‘Argentina’s currency, the peso, would be allowed to depreciate’.

Describe the meaning of depreciation of a currency and state **one** consequence for Argentina’s exporters of a depreciation of the peso. [2]

(b) Explain **one** likely effect of the increase in tariffs on the value of imports into Argentina. [2]

(c) With the help of a diagram, explain the effect on the market for transport in Argentina of reducing the subsidy to transport providers and consider the possible impact of this on inflation in Argentina. [4]

(d) Assess whether the advantages of the removal of maximum prices would outweigh the disadvantages of their removal in Argentina. [6]

(e) Assess whether ‘improvements to the supply side of the economy’ of Argentina would benefit everybody in Argentina. [6]

Section B

Answer **one** question.

Either

2 **(a)** Explain the factors affecting the cross elasticity of demand (XED) for a product **and** consider how useful XED is likely to be to the firm making this product. [8]

(b) Assess whether price elasticity of demand (PED) or income elasticity of demand (YED) is likely to be of greater importance to a firm during a period of negative economic growth. [12]

Or

3 **(a)** Explain the **three** functions of price in resource allocation **and** consider whether market price always avoids over-consumption of a product. [8]

(b) Assess whether mixed economies should consist of a relatively large or a relatively small state sector. [12]

Section C

Answer **one** question.

Either

4 **(a)** Explain what is meant by the circular flow of income in a closed economy with a government sector **and** consider the impact of a move from a closed economy to an open economy on this circular flow. [8]

(b) Assess the extent to which the shape of the long-run aggregate supply (LRAS) curve affects the ability of a government to use fiscal policy to achieve price stability. [12]

Or

5 **(a)** Explain **three** potential benefits of specialisation and free trade **and** consider whether consumers always benefit from specialisation and free trade. [8]

(b) Assess whether a surplus in the current account of the balance of payments of an economy is always an advantage for this economy. [12]