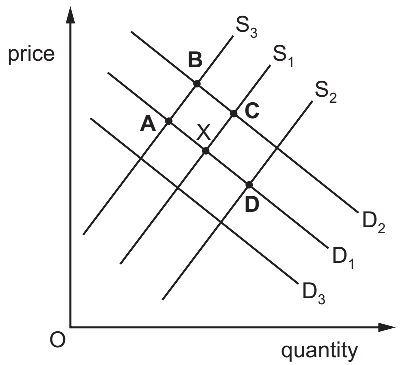
5 Which merit good is likely to be under-consumed the most?

	level of imperfect information among consumers	subsidy received by producers
A	high	yes
B	high	no
C	low	yes
D	low	no

11 The diagram shows supply and demand for a good. The original equilibrium is X.

What will be the new equilibrium if subsidies are given to firms for new machinery?



13 Assuming demand is price elastic, what will rise the most if an indirect tax is removed?

A consumer expenditures

B price of the product

C producers' revenues

D tax receipts

29 An economy specialises in the production of one product. It exports this product to obtain another product.

Which type of diagram can show the combinations of these products?

A the production possibility curve

B the aggregate demand curve

C the principle of absolute advantage

D the trading possibility curve

15 What is **not** true about subsidies?

A They are paid to firms.

B They have to be paid back.

C They reduce the cost of production.

D They shift the supply curve to the right.

1 **How do we make sure cocoa bean farmers get paid a living wage?**

Chocolate is very big business.

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Perhaps the long-term solution is to reduce the country's dependence on cocoa bean exports and diversify into other products that can offer more and better paid job opportunities.

Source: Adapted from Reuters, 4 April 2023

(a) **(i)** Identify **one** possible reason for the value of price elasticity of demand (PED) for chocolate. [1]

(ii) Calculate the percentage change in the value of global sales of chocolate between 2017 and 2026, as shown in Table 1.1. [1]

(b) With the help of a demand and supply diagram, demonstrate why cocoa bean prices continued to fall in 2023. [2]

(c) Consider whether a buffer stock system controlled by the government of Ivory Coast would be likely to prevent fluctuations in the price of cocoa beans. [4]

(d) Assess the extent to which the use of a minimum pricing policy would be the best way to ensure cocoa bean farmers get paid a living wage. [6]

(e) Assess the advantages and disadvantages of Ivory Coast continuing to specialise in the production and export of cocoa beans. [6]

Section B

Answer **one** question.

EITHER

1 **Malaysia's uncertain economic prospects**

Malaysia is an emerging middle-income country. Its increasing population is an important factor in promoting future economic growth. The country, however, faces two underlying problems. First, the fertility rate, the average number of children a woman can expect to give birth to, has fallen consistently as Malaysia's economy has developed. This rate is now below the critical level where a population replaces itself. Second, Malaysia has an ageing population, with an increasing proportion of its population over 65 years of age. In 2015 the average age of Malaysia's population was 28.2 years; in 2030 it is forecast to reach 34.1 years. Malaysia's forecast total population to 2027 and its ageing population from 2017 to 2022 are shown in Figs. 1.1 and 1.2 below.

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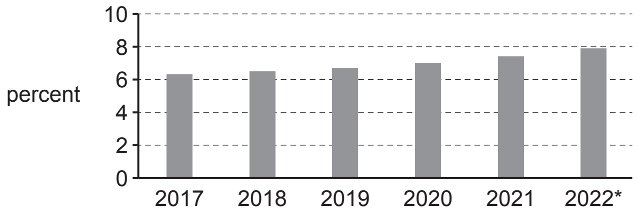
Fig. 1.1 Total population of Malaysia, 2017 to 2027



*2022 is forecast

Fig. 1.2 Share of population older than 65 years in Malaysia, 2017 to 2022

The key issue for Malaysia's government is whether it is prepared for this fundamental shift in its population. There is plenty of scope for optimism. The economy appears to have recovered from the shock of the COVID-19 pandemic. Its growth rate in 2021 and the 2022 forecast was above the government's target of 5.1%, with substantial growth in exports of electrical and electronic goods, palm oil, gas and oil supplies. Unemployment is below 4% and the current account of the balance of payments was projected to have a record surplus in 2022.

Economists, however, fear that Malaysia's government and its people are not ready to meet the challenges of an ageing population. In a recent survey, 70% of respondents felt it was the duty of the young to take care of the elderly, but they were also concerned that the economy could not cope with the pressure on its human capital and other resources. More resources will have to be allocated to meet the needs of the elderly.

It was further argued that Malaysia needed a proper plan for dealing with this situation. According to one economist, free childcare for working parents was essential and tax incentives should be used to keep more elderly workers in employment.

Source: Saw Yee Fung, Low rates impact on Malaysia's human capital and economic development, The Star (KL) 15 October 2022.

(a) Use the information in Figs. 1.1 and 1.2 to compare the change in Malaysia's total population from 2017 to 2022 with the change in its ageing population from 2017 to 2022. [2]

(b) Explain **one** example of 'what to produce' in Malaysia that may have to change in order to meet the needs of its ageing population. [2]

(c) With the help of a production possibility curve (PPC) diagram, consider the extent to which Malaysia's productive capacity is likely to change with its projected change in total population. [4]

(d) Assess whether the Malaysian government should provide free childcare to working parents. [6]

(e) Excluding net exports, assess the likely impact of the change in Malaysia's total population on aggregate demand. [6]

Section B

Answer **one** question.

EITHER

22 In an economy, the price elasticity of demand for imported raw materials is 0.3, and the price elasticity of demand for exports is also 0.3.

Following a depreciation of the economy's currency, what will the impact on inflation be?

	change in inflation rate due to cost-push factors	change in inflation rate due to demand-pull factors
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

23 A government is aiming to reduce the unemployment rate in its country from 10% to 5%.

What is a likely effect if this aim is achieved?

A a decrease in interest rates

B a slow down in the rate of economic growth

C an increase in demand for exports

D an increase in inflation

12 An increase in which variable would shift the supply curve for farm workers to the right?

A job security

B the hourly wage rate

C the productivity of farm workers

D the qualifications required

1 **Resources in Brazil**

Between 2000 and 2020, Brazilian GDP, measured in US dollars ($), rose from $1.19 trillion to $1.89 trillion at constant prices (2015). In the same period GDP per head rose from $6745 to $8204 at constant prices (2015).

The strength of the Brazilian economy lies in the variety and quantity of its natural resources. For example, Brazil is one of the world's largest exporters of agricultural commodities, mainly soya and beef. There are also significant exports of minerals. Brazil is the second largest iron ore producer in the world and extracts 3.4% of the world's crude oil.

World agricultural markets are dominated by four large commodity traders that buy and sell products such as grain and soya. They have grown through both horizontal integration and vertical integration. These traders own many large farms, they process farm produce and transport it to trade on international markets. In addition to buying and selling, the traders provide seed and fertiliser to farmers and supply storage for their products. They use agricultural by-products to produce items like biofuel. These traders also provide financial services to these markets.

Commodity traders are very important to the development of complex global food markets. Food prices, access to scarce resources such as land and water, climate change and food security are all affected by the activities of traders. In Brazil, the output of 15000 farmers is purchased by a single trader.

In Brazil the development of agriculture, mining and oil extraction all contribute to environmental degradation. Both agriculture and mining have been accompanied by deforestation of the Amazon rainforest. Access roads to mining areas also lead to deforestation. Waste water from mining activity is frequently stored in reservoirs behind dams. On two occasions in the last 10 years these dams failed to hold back the water. This led to widespread flooding, the discharge of pollutants such as mercury into rivers, and deaths.

Sources: The Guardian*, 23 August 2022*
Cereal Secrets, Oxfam Research Report, August 2012
oec.world/en/profile, August 2023

(a) Explain the significance of measuring GDP at constant prices. [3]

(b) Explain **one** possible benefit of horizontal integration and **one** possible benefit of vertical integration. [4]

(c) Describe how the market structure in which individual farmers operate is likely to differ from the market structure in which the commodity traders operate. [6]

(d) Use the article to evaluate the impact of the development of the agricultural and mining industries on the standard of living in Brazil. [7]

Section B

Answer **one** question.

EITHER

23 An income tax has a tax-free allowance of $10 000 and a single rate of 25%.

What type of tax is this?

A indirect

B progressive

C proportional

D regressive

24 Which supply-side policy will encourage new entrepreneurs?

A an increase in government subsidy to small firms

B an increase in the national minimum wage

C an increase in the power of trade unions

D an increase in the tax on business profits