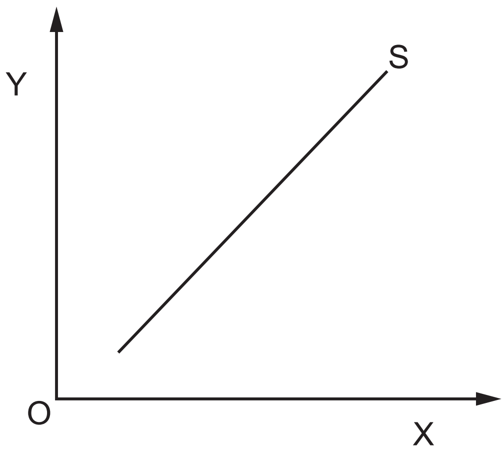
7 The diagram shows a market supply curve (S).



What is measured on the X-axis and the Y-axis?

	X-axis	Y-axis
A	quantity	income
B	quantity	price
C	price	income
D	income	quantity

11 The demand for electric vehicle batteries is derived from the demand for electric vehicles. To tackle climate change, a government subsidises producers of electric vehicles.

What are the likely effects of this subsidy on the price and sales of electric vehicle batteries?

	price	sales
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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 Will stronger economic growth in the United States (US) lead to high inflation?

The US has experienced stronger economic growth than countries in Europe and elsewhere since the COVID-19 pandemic. In terms of Gross Domestic Product (GDP), it had particularly strong growth over the fourth quarter of 2023 of 3.3%. This far exceeded economists' expectations of 2%. This means that annual growth for 2023 was 2.5% which was better than other high-income economies. It is on target to do the same in 2024 as shown in Fig 1.1.

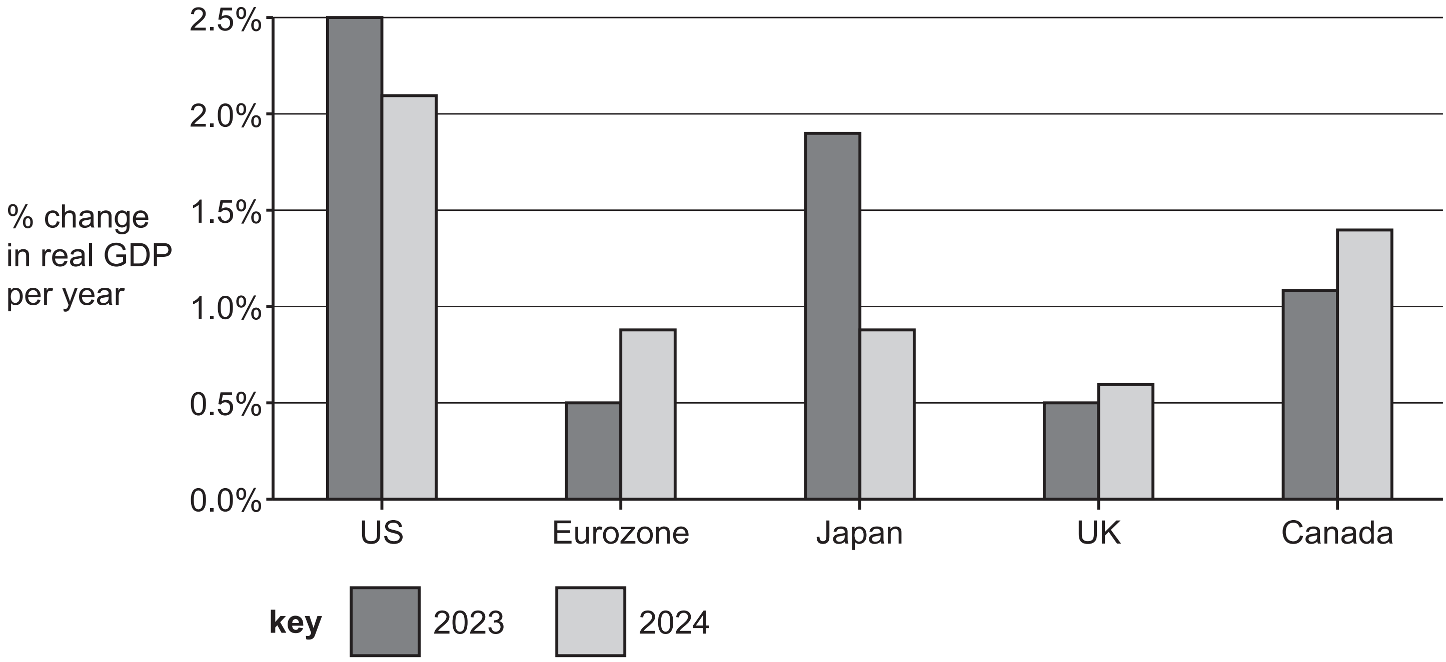

Fig. 1 International Monetary Fund (IMF) economic growth forecasts for 2023 and 2024

Economists have suggested that the strong economic growth in the US was caused by both demand and supply factors. In 2020, the US government responded to the COVID-19 pandemic by injecting US$5 trillion into the economy. Spending in many areas included more generous unemployment benefits and grants to small firms. This huge financial stimulus, much bigger than other countries, has been credited with maintaining consumer spending which represents 70% of aggregate demand.

On the supply side of the economy, existing flexible labour markets enabled firms to make workers redundant. This encouraged firms to invest in new technologies, leading to increased productivity and continued expansion in the long run. As firms expanded, they employed more workers causing disposable incomes to rise. Finally, the US is a net exporter of energy and therefore firms did not suffer the huge increase in energy costs faced by firms in Europe caused by the conflict in Ukraine. This has allowed the US to keep inflationary pressure under control.

In March 2024, however, the rate of inflation in the US rose much faster than expected as its level of unemployment fell, leading to an increase in consumer spending. Although this may lead to further economic growth and the benefits this brings, there are costs associated with inflation that may need to be dealt with. One policy that could be used is to increase interest rates, but US interest rates were already at their highest level for more than two decades because of earlier inflationary pressures. The hope had been that interest rates might start to fall, but now there are fears that any cuts in interest rates will be delayed or even worse, it might even be necessary to increase them further.

Sources: Adapted from BBC News articles: US economy sees surprisingly strong growth, 13 February 2024, US inflation jumps, 11 April 2024 and US jobs boom raises doubts about rate cuts, 5 April 2024

(a) Compare the forecast rates of economic growth for the US and Eurozone between 2023 and 2024. [2]

(b) Explain **one** reason why the IMF uses percentage change in real GDP and not percentage change in nominal GDP when measuring economic growth. [2]

(c) Explain, with the help of a diagram, why an increase in productivity in US firms may reduce the price of their products and consider whether this will always be the outcome. [4]

(d) Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US. [6]

(e) Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation. [6]

Section B

Answer **one** question.

EITHER

A-Level Economics: **w25 32**

29 An economy has a large surplus on the current account of its balance of payments. It revalues its currency. The current account of the balance of payments becomes a greater surplus in the short run. In the long run the surplus becomes smaller and eventually becomes a deficit.

What is the sum of the price elasticities of imports and exports in the short run and in the long run?

	short run	long run
A	greater than 1.0	greater than 1.0
B	greater than 1.0	less than 1.0
C	less than 1.0	greater than 1.0
D	less than 1.0	less than 1.0

7 Cars and petrol (gasoline) are in joint demand.

What is the effect of an increase in the price of cars on the demand for petrol?