CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 AS Level Data Response and Essays **February/March 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 **The market for fast food**

‘Fast food’ is a term often used by the media to refer to a large range of highly processed foods, many of which are low in nutrients but high in sugar, salt and saturated fats. According to a recent study, eating fast food is increasing death rates faster than smoking. Medical experts are concerned that fast food has become a regular part of the diets of millions of people worldwide.

It is estimated that sales in the United States (US) of one of the world’s largest fast food outlets rose by 22% between 2019 and 2023. This was despite a 19% increase in its prices. The increase in sales can be partially explained by a rise in disposable income in the US of 29% over the same period. People described as ‘cash rich but time poor’ tend to choose fast food as it is convenient, affordable and satisfies their hunger.

The wider impact of fast food on the economy is often overlooked. In 2016, more than 1.9 billion adults were overweight. Worldwide, the cost of treating diseases related to being overweight, such as heart disease and diabetes, was estimated to be US$2 trillion. When individuals experience poor health, they may need to take medical leave or reduce their working hours. This leads to a loss of income for the affected individuals and a loss of sales and reduced productivity for their employers.

Many economists would refer to fast food as a demerit good. It is not surprising therefore that governments have intervened in fast food markets to tackle the over-consumption of these products. Selecting the best way to intervene, however, remains a cause of debate. In 2011, Denmark was the first country to introduce a tax on fast food but was forced to reverse the policy within one year due to the resultant job losses from increased food prices. Colombia introduced a new indirect tax on fast food in 2023 which began at 10% before rising to 15% in 2024 and then 20% in 2025. Despite being welcomed by campaigners and health experts who say it sets an example for other countries, concerns remain about the impact of such a policy on an economy’s overall macroeconomic performance. For example, in the US where approximately 5 million people are employed in fast food outlets, there could be a considerable increase in unemployment.

Sources: adapted from; Obesity and overweight, who.com, 1 March 2024
Denmark scraps its infamous fat tax after only one year, euroactiv.com, 14 November 2012
‘Tremendously unfair’: Latin America’s strictest junk food law divides shoppers in Bogotá, The Guardian, 29 December 2023

(a) **(i)** With the help of a formula, define the term income elasticity of demand. [2]

(ii) Using the information in the second paragraph, calculate the income elasticity of demand for fast food for one of the world's largest restaurant companies in the US between 2019 and 2023 **and** state how an economist would classify fast food in the US based on this calculation. [2]

(b) Explain what is meant by a demerit good and consider whether it is correct to 'refer to fast food as a demerit good'. [4]

(c) Assess the extent to which introducing an indirect tax on fast food is the best way to reduce its consumption. [6]

(d) Assess the extent to which decreasing the consumption of fast food will always increase the level of unemployment for a country such as the US. [6]

Section B

Answer **one** question.

Either

2 **(a)** With the help of a demand and supply diagram, explain how the introduction of an effective maximum price affects the equilibrium in the market for a good **and** consider the extent to which a maximum price benefits all consumers of the good. [8]

(b) Assess the extent to which either setting a minimum wage or using transfer payments is the better way to reduce income inequality in an economy. [12]

Or

3 **(a)** With the help of a diagram(s), explain what is meant by consumer surplus and producer surplus **and** consider whether a fall in the equilibrium price of a product will always reduce the producer surplus. [8]

(b) Assess whether the allocation of resources in a planned economy can ever be beneficial. [12]

Section C

Answer **one** question.

Either

4 **(a)** With the help of a diagram(s), explain the difference between cost-push inflation and demand-pull inflation **and** consider whether inflation is always a concern for governments. [8]

(b) Assess whether expansionary monetary policy is the best method to correct deflation and restore price stability. [12]

Or

5 **(a)** With the help of a diagram(s), explain **two** causes of an appreciation of an exchange rate **and** consider whether an appreciation of a country's exchange rate is likely to reduce its real output. [8]

(b) Assess the extent to which either raising import tariffs or imposing import quotas is a better tool for protecting an economy from unfair competition. [12]