Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 A Level Data Response and Essays **May/June 2025**

2 hours

1584179791

You must answer on the enclosed answer booklet.

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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. Any blank pages are indicated.

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Section A

Answer all parts of Question 1.

1 The influence of governments

People often talk as if governments can easily control economic outcomes.

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High-income countries decided to focus on economic growth realising that it was essential to generate revenues and taxes needed to pay for costly investments, for example, the storage of renewable energy, required to reduce the use of fossil fuels.

Sources: Irwin Stelzer, The Sunday Times, *29 January 2023*
Ray Bourne, The Times, *9 February 2023*

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(a) The article refers to structural unemployment. Explain what this means and whether it is the same as the natural rate of unemployment. [3]

(b) To keep unemployment low, one government used fiscal policy. Analyse how this policy can affect unemployment rates. [6]

(c) Explain how the policies of high-income economies towards 'green energy' changed between 2015 and 2022. [3]

(d) Assess whether the article provides sufficient evidence to justify its conclusion that the intervention of governments has little effect on economic outcomes. [8]

Section B

Answer **one** question.

EITHER

2 With the help of a diagram, evaluate the use of indifference curve analysis to explain the relationship between a change in the price of a product and the change in an individual consumer's demand for this product. [20]

OR

3 The growth of a firm using a takeover is desirable because it enables consumers to benefit from lower prices and the firm to gain additional profits.

Evaluate this statement. [20]

Section C

Answer **one** question.

EITHER

4 A country is experiencing stagflation, when there is a high rate of inflation at the same time as a negative output gap.

With the help of a diagram, evaluate the effectiveness of using fiscal policy to solve this problem. [20]

OR

5 A free trade area gains all the benefits associated with being a member of a customs union while avoiding all the costs associated with being a member of a customs union.

Evaluate this statement. [20]

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ECONOMICS **9708/42**

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Section A

Answer all parts of Question 1.

1 **Global carbon emissions**

A key message of the 2021 World Climate Summit was that the use of coal must be phased out for the good of the planet.

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Instead, a mixture of renewable energies will be required to achieve zero-carbon

Sources: The Sunday Times, *17 October 2021*
The Times, *26 October and 24 November 2021*
nsenergybusiness.com, 4 November 2021

(a) Define economic sustainability and give **one** example from the information of a change that can be used to illustrate it. [2]

(b) Use the information to comment on the possible effects on the economies of the countries that refused to sign the carbon policy agreement. [4]

(c) Discuss why the article says that 'China is a country of contradictions'. [4]

(d) With the help of a marginal social cost and benefit diagram discuss whether the continued use of coal to produce electricity makes the achievement of allocative efficiency less likely. [10]

Section B

Answer **one** question.

EITHER

2 Monopolies restrict output to raise prices to exploit consumers.

With the help of a diagram, assess the extent to which a government should intervene in monopoly markets. [20]

OR

3 With the help of a diagram, assess whether the impact of an increase in labour productivity on the wages and employment of a firm is likely to be greater in a perfectly competitive labour market than in an imperfectly competitive labour market. [20]

Section C

Answer **one** question.

EITHER

4 With the help of an injections and withdrawals graph, assess the impact of a decrease in interest rates on the level of employment in an economy. [20]

OR

5 Globalisation will have an equally beneficial effect on the standard of living in both high-income and low-income countries.

Evaluate this statement. [20]

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Section A

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ECONOMICS **9708/44**

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Section A

Answer all parts of Question 1.

1 Economic development in Bangladesh

Since 1971 Bangladesh has experienced significant economic development, moving from the low-income to the lower-middle-income country classification. Gross National Income (GNI) per capita at constant 2017 prices in United States dollars ($) rose from $2342 to $5823 between 2000 and 2020. Over the same period, the country's Human Development Index (HDI) rose from 0.49 to 0.66.

During this period, Bangladesh underwent changes in employment as it moved from the agricultural sector to the manufacturing and services sectors.

First, in agriculture, output increased by more than 100% whilst employment fell from 65% to 38% of the working population. This change was helped by innovation in crop irrigation, land preparation and harvesting, aided by the development of local industries to provide the capital equipment needed.

A second source of economic development was the growth in the clothing industry producing ready-made garments (RMG) that contributed about 11% of Bangladesh's Gross Domestic Product (GDP) and employed 4.4 million workers of which 2.5 million were women (2020). The industry uses significant division of labour with production split into 10 or more processes, for example, cutting, sewing zips, assembly and packaging.

The value of raw materials imported for the RMG industry was about half of the value of the industry's exports. Net exports from this sector stood at $23 billion. This enabled Bangladesh to both import a wider range of goods and services and reduce the deficit on its balance of trade in goods.

In 2020, there were more than 4000 RMG manufacturers in Bangladesh, differentiated by the quality of their products and the speed of their delivery. The RMG industry supplied more than 100 major US and European retailers.

However, the RMG industry has critics who point to air and water pollution from the chemicals used in cotton growing and manufacturing clothes. The industry is also accused of employing child labour and of having poorly constructed factories.

Sources: Bangladesh overview: World Bank, 11 April 2024 and Quarterly Review on Readymade Garments, Bangladesh Bank Research Department, 14 February 2023

(a) Identify what is included in the HDI. [3]

(b) The passage states that the RMG industry 'uses significant division of labour'. Explain how this is likely to affect the average costs of firms in Bangladesh's RMG industry. [3]

(c) Identify the probable market structure of the RMG industry in Bangladesh and with the help of a diagram, consider the likely effect on the level of long-run profits of firms in this industry. [6]

(d) With reference to the article, assess whether there is enough evidence to conclude that living standards in Bangladesh have improved since 1971. [8]

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Section B

Answer **one** question.

EITHER

2 With the help of a diagram, consider whether economic efficiency can be achieved without government intervention in a market economy. [20]

OR

3 Evaluate whether the marginal revenue product theory (MRP) always explains the differences in wages. [20]

Section C

Answer **one** question.

EITHER

4 A country with an open economy has falling demand for exports.

Consider the view that monetary policy alone will solve this problem. [20]

OR

5 Evaluate how a country might increase its potential economic growth. [20]

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