Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 A Level Data Response and Essays **October/November 2023**

2 hours

2955971686

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.

© UCLES 2023

Section A

Answer all parts of Question 1.

1 **Economic decline in 2020**

In 2020, Japan suffered its third quarterly decline in gross domestic product (GDP) in a row. The size of its real GDP shrank to its lowest level since 2011 when the country was suffering from 20 years of deflation and economic stagnation. In 2020, the economy was not helped by a previous increase in sales tax, the COVID-19 pandemic and the trade war between the world's biggest economies, the United States (US) and China. They were Japan's two most significant trading partners; 19.9% of exports went to the US and 19% to China. Table 1.1 gives some economic indicators for Japan for selected years.

Table 1.1 Selected economic indicators for Japan, 2016–2019

	2016	2017	2018	2019
Central bank rate of interest (% per year)	0.1	0.1	0.1	0.1
Change in industrial production (% per year)	0.0	3.1	1.1	0.1
Change in retail sales (% per year)	0.6	1.9	1.7	0.1
National debt (% of GDP)	236	234	236	237
Economic growth (% change in GDP per year)	0.5	2.2	0.3	0.7

In 2020, the International Monetary Fund (IMF) warned that the global economy was facing its worst recession since the world depression in the 1930s. Japan's economy shrank by 7.8% between April and June of 2020, while the US economy contracted by 9.5% and China's by 3.2%.

Japan, which was the world's fourth largest exporter, incurred an overall trade deficit of US$15.2 billion for 2019, an increase of almost 50% on the trade deficit for 2018. In 2020, exports fell by a further 18.5% in the third quarter, mainly caused by a decline in Japan's motor vehicle exports. In that quarter, its main car producer, one of the world's biggest car companies, made its smallest quarterly profit in nine years as sales halved.

The government of Japan used expansionary fiscal and monetary policies to try to stimulate the economy. Low interest rates had been used by the central bank since 2016. In August 2020, economists said that despite this stimulus to encourage growth there was a chance economic activity may stagnate even further if major nations again adopted more restrictive measures, such as lockdowns, to combat any reoccurrence of the pandemic.

Source: 'Japan's economy slides into record decline under pandemic pressure', Martin Strydom, The Times, 18 August 2020

© UCLES 2023

(a) With reference to Table 1.1, what indicates that Japan's government had borrowed substantially? [2]

(b) Although Japan was the world's fourth largest exporter, it had suffered trade deficits.

Explain how this might have happened. [4]

(c) Consider whether the evidence provided shows that Japan's economic decline in 2020 was caused by the COVID-19 pandemic. [6]

(d) Low interest rates have been used by Japan's Central Bank since 2016.

Analyse how low interest rates might stimulate an economy and evaluate whether their use has been successful in stimulating Japan's economy since 2016. [8]

© UCLES 2023

Section B

Answer **one** question.

EITHER

2 The provision of health care by the public sector is inefficient and therefore all health care should be provided by firms operating in the private sector.

Evaluate this comment. [20]

OR

3 A government allows the merger of two large firms in the same industry.

With the help of a diagram, evaluate the view that this merger should not have been allowed. [20]

Section C

Answer **one** question.

EITHER

4 Assess the extent to which monetary policy can be used effectively to solve the problem of unemployment. [20]

OR

5 To what extent do you agree with the view that globalisation benefits high-income countries at the expense of low-income countries? [20]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2023

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 A Level Data Response and Essays **October/November 2023**

2 hours

9761611333

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. Any blank pages are indicated.

© UCLES 2023

Section A

Answer all parts of Question 1.

1 Traffic Control

In 2020 Lagos, Nigeria's largest city, banned the use of motorcycle taxis and tricycles from its most congested areas.

Content removed due to copyright restrictions.

Plans are in place to extend the system to 400km.

Sources: dailytrust.com, 7 February 2020 and The Daily Telegraph, *3 March 2020*

(a) Explain what is meant by equity and how the ban on motorcycle taxis and tricycles affects equity for commuters in Lagos. [3]

(b) Explain, with the help of a diagram, what is meant by a negative externality and identify **two** examples of negative externalities from the article. [6]

(c) From the evidence, consider whether the Singapore quota system or the ERP was more effective in solving the problem of traffic congestion. [6]

(d) Assess whether government's involvement in the provision of transport systems is because transport is a public good. [5]

© UCLES 2023

Section B

Answer **one** question.

2 Evaluate the use of indifference curve analysis to derive the demand curve for a normal good and the demand curve for an inferior good. [20]

OR

3 The model of perfect competition is the ideal form of market structure because it is the most efficient.

With the help of diagrams, evaluate this statement. [20]

Section C

Answer **one** question.

4 The presence of multinational corporations (MNCs) in a low-income country always promotes economic growth in that country.

Evaluate this statement. [20]

OR

5 Consider the relative merits of gross national income (GNI) and the multidimensional poverty index (MPI) as measures of the standard of living. [20]

© UCLES 2023

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2023

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

Paper 4 A Level Data Response and Essays **October/November 2023**

2 hours

3238288514

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.

© UCLES 2023

Section A

Answer all parts of Question 1.

1 The decline of South Africa's economy

South Africa is the most industrialised country in the continent of Africa but it is also an economy with much economic inequality.

Recently governments in South Africa have aimed to reduce economic inequalities by redistributing incomes and increasing both job and investment opportunities for all sections of society. Unfortunately, the reforms have been undermined through poor organisation and management. State railways, port facilities, airways and electricity production have been affected.

Government statistics for the first quarter of 2020 show that South Africa's economy contracted by 3.2%, the biggest quarterly decline of actual economic growth in a decade (see Fig. 1.1). Gross domestic product (GDP) per capita was US$6130 in December 2019, 5.8% lower than in December 2018.

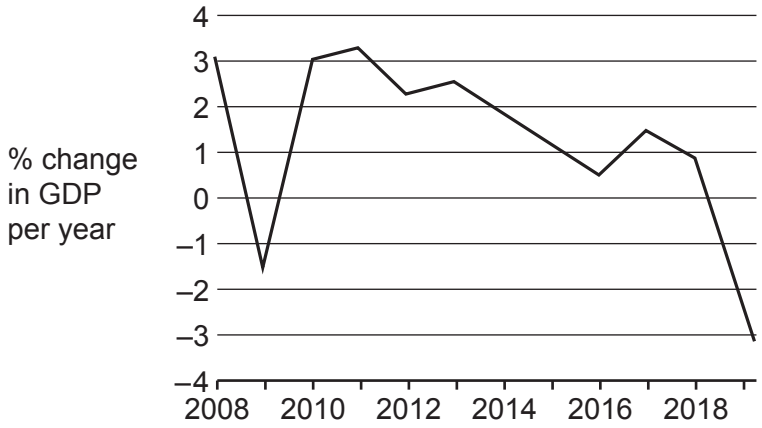


Fig. 1.1 South Africa annual growth rate, 2008 to 2019

This economic decline is reflected in the electricity supply industry, which is a state-owned monopoly. It is struggling to survive mainly due to mismanagement. For several months it rationed electricity consumption and introduced regular power cuts for households and industries. The rationing policy led to decreases in production and increases in unemployment. The company's debts added significantly to South Africa's current national debt to GDP ratio of 56% and are seen as the biggest threat to the economy.

Further evidence of economic difficulties can be found in the mining industry, a significant part of South Africa's economy. A controversial reform was introduced to give more equality of ownership. Already facing rising costs and growing bureaucracy, many mining firms, including multinational companies, stopped investing altogether which reduced potential economic growth. The mining industry declined. Thousands of jobs were lost despite South Africa having significant deposits of platinum, gold and iron ore.

© UCLES 2023

For South Africa's economy to grow it needs to address major infrastructure issues. Also, in disadvantaged communities the education system is weak contributing to a skills shortage and a rise in the unemployment rate to 27% (see Fig. 1.2). Increased production is further hindered by restrictive trade union practices.

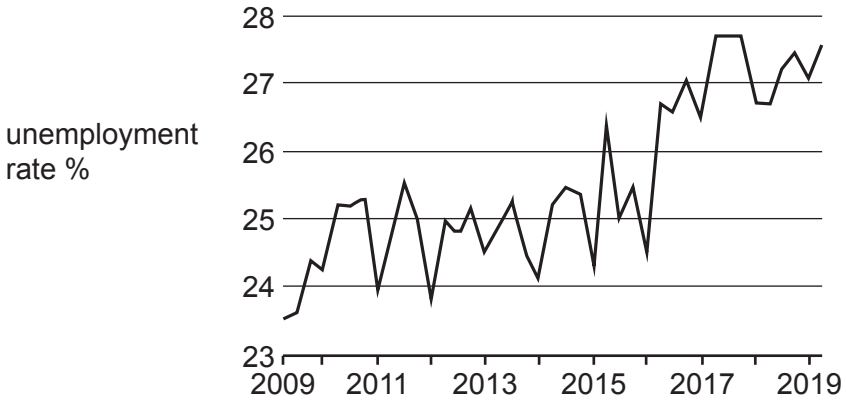


Fig. 1.2 South Africa's unemployment rate

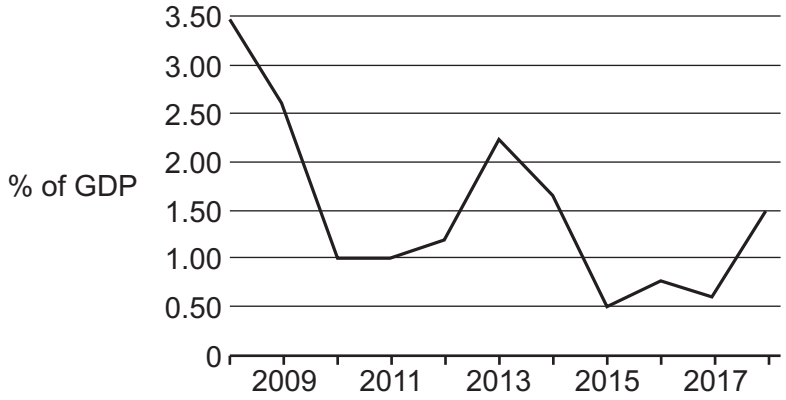


Fig. 1.3 South Africa's foreign direct investment (FDI) net inflows

An analyst said: 'A critical reason for low economic growth has been a lack of private sector investment and FDI (see Fig. 1.3). The lack of investment wasn't just due to the political policies but also to uncertainty and mismanagement which led to continued inequalities.'

Sources: The Daily Telegraph, 6 July 2019 and ceicdata.com

(a) Describe what is meant by economic equality and distinguish it from equity. [3]

(b) Define what is meant by actual economic growth and analyse the relationship between economic growth and unemployment as illustrated by Fig. 1.1 and Fig. 1.2. [5]

(c) Assess the evidence provided about the significance of the performance of the state-owned electricity monopoly as a contributor to the decline in South Africa's economy. [5]

(d) Evaluate whether attracting investment and managing uncertainty are the most effective ways to improve the prospects for South Africa's economy. [7]

Section B

Answer **one** question.

EITHER

2 Pollution is caused when consumers or producers make decisions based on self-interest. This is a sign of market failure.

With the help of a diagram, evaluate the extent to which government policies should rely upon market forces to address this market failure. [20]

OR

3 Evaluate the view that monopolistically competitive firms will always charge lower prices and operate more efficiently than a monopoly firm. [20]

Section C

Answer **one** question.

EITHER

4 With the help of a diagram, assess the effectiveness of using fiscal policy to close a negative output gap in an economy [20]

OR

5 Assess the impact of international aid on the standard of living in low-income countries. [20]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2023