Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 A Level Data Response and Essays **October/November 2024**

2 hours

9284221820

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 2024

Section A

Answer all parts of Question 1.

1 The economic impact of extracting natural resources

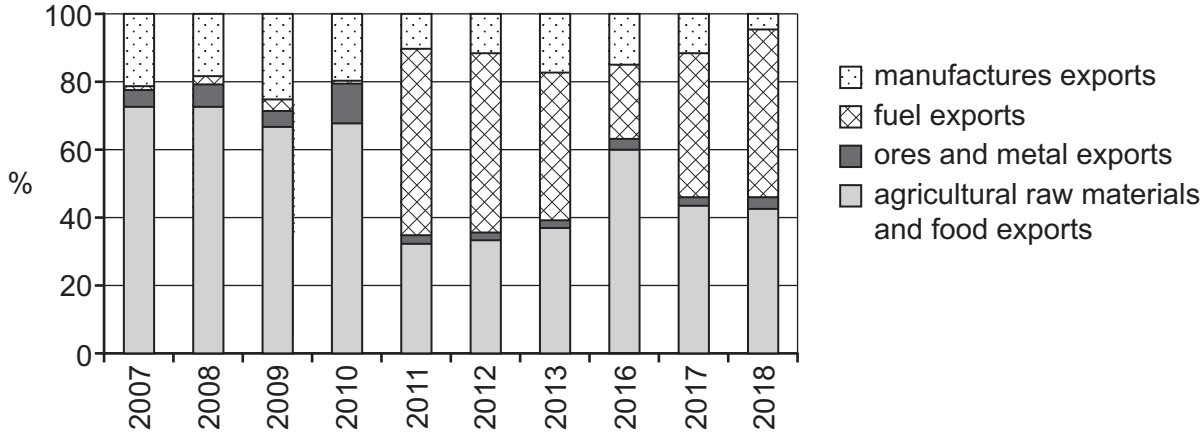
Many low-income countries have high unemployment and large deposits of unused natural resources. In 2007, Ghana discovered a new offshore oil field and extraction started in 2010. The discovery and extraction of such natural resources can create new jobs, that increase incomes and consequently gross national income (GNI). The additional income will lead to an increase in spending on both domestic and imported goods and services, creating further employment in other sectors through the multiplier effect.

However, the extraction of oil may 'crowd out' other sectors of the economy. Workers might move, for example from agriculture and manufacturing to the mining sector due to higher wages. Also, the prices of houses, land and locally produced goods may increase. This could increase the cost of living and discourage businesses from operating in the affected region.

The export of oil from Ghana causes an inflow of United States dollars (US$), increasing the exchange rate of Ghana's currency, the cedi. This appreciation reduces the competitiveness of Ghana's agricultural and manufactured goods, leading to an increased demand for imports. This loss of competitiveness is referred to as the 'Dutch disease', reflecting the experience of the Netherlands following the exploitation of their natural gas reserves.

Oil provides the Ghanaian government with revenue from the tax on each barrel of oil produced. This revenue can be used to provide transfer payments and goods and services such as roads, health facilities, and public water supply. These can benefit both households and businesses. Alternatively, the presence of such revenues can create corruption and conflict as political groups compete for them.

Between 2011 and 2018 agricultural products and food as a share of Ghana's exports have decreased, as shown in Fig. 1.1.



Source: World Bank database, 2019

Fig. 1.1: Structure of exports of goods from Ghana 2007 to 2018

The extraction of natural resources has also affected Ghana's economic performance, as shown in Table 1.1.

Table 1.1: Selected economic data for Ghana, 2007 and 2019

	2007	2019
Human Development Index (HDI)	0.55	0.61
GNI per capita (US$) ppp	2478	5484
exchange rate (cedi per US$)	1.06	0.17

(a) With the aid of a diagram, explain the effect of natural resource development on the potential growth of Ghana. [4]

(b) Explain how the extraction of natural resources in Ghana will 'create further employment in other sectors through the multiplier effect'. [4]

(c) Explain what the information means by the 'Dutch disease' and using Fig. 1.1, consider to what extent Ghana suffered from this problem. [4]

(d) Use the information to assess the impact of the extraction of oil on the standard of living in Ghana. [8]

© UCLES 2024

[Turn over

Section B

Answer **one** question.

EITHER

2 Governments in many countries are promoting policies that reduce the impact of the negative externalities.

Evaluate, using appropriate diagram(s), the extent to which **two** policies used to reduce negative externalities can also improve allocative efficiency. [20]

OR

3 Evaluate the consequences for the price and output of a firm if it changes its objective from profit maximisation to sales maximisation as a response to the principal-agent problem. [20]

Section C

Answer **one** question.

EITHER

4 In periods of rising and persistent inflation, consumers and workers change their expectations of the future rate of inflation.

Evaluate, with the help of a diagram(s), the consequences of these changes of expectations for fiscal policy. [20]

OR

5 In recent years many countries have joined or established a free trade area (FTA).

Evaluate, with the help of a diagram(s), whether membership of an FTA is always beneficial to a country. [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.

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 A Level Data Response and Essays **October/November 2024**

2 hours

3883924335

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 2024

Section A

Answer all parts of Question 1.

1 Reduced Migration to the United States (US)

The factors of production land, labour, capital and enterprise form the basis for all economic output. Whilst land is geographically fixed, the other factors of production, for example labour, are mobile. Large numbers of migrants move from country to country every year. Many migrate to the US.

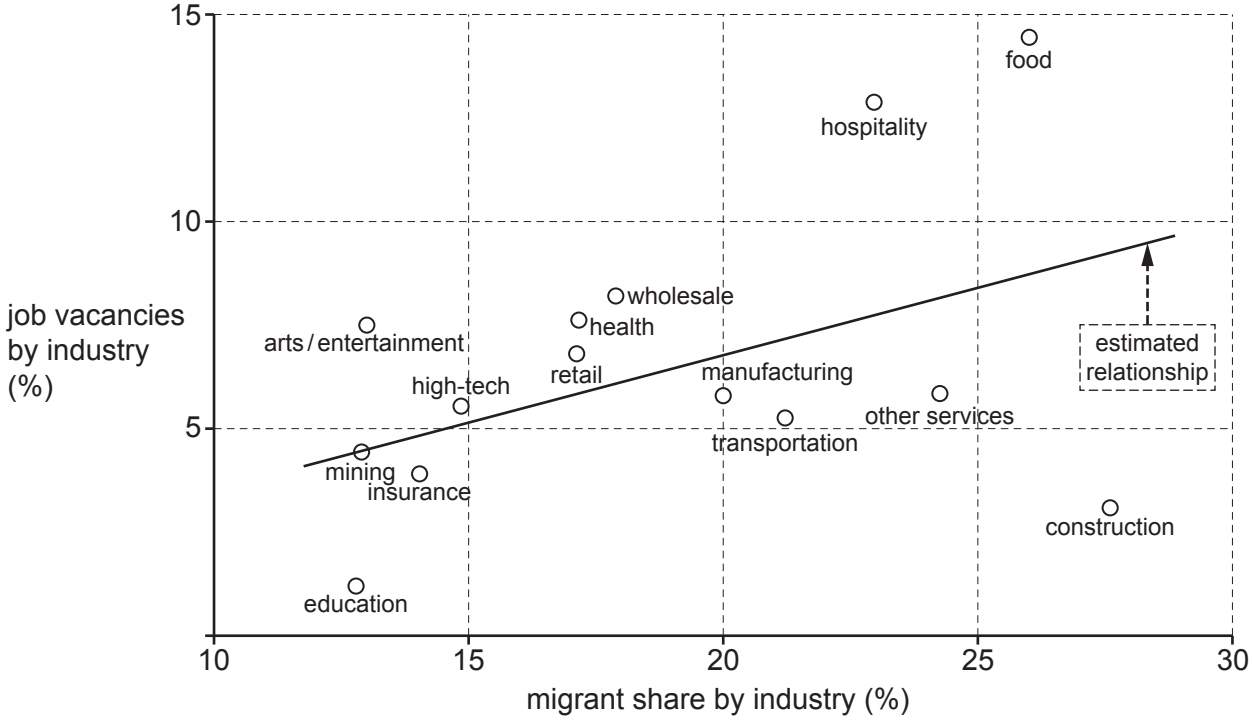
The average increase in the number of migrants working in the US was 0.6 million per year until 2018. However, the Covid-19 restrictions in place since 2019 prevented migration and by 2022 the total number of migrants working in the US was nearly 2 million lower than expected.

Half of migrants initially come as students, to be college educated, often in science-based subjects. Post-graduation, they often remain to work in the high-tech industries, before many return to their home countries with enhanced skills.

Well-educated immigrants are three times more likely to start businesses than inhabitants of the US. The reduction in the number of new migrants would reduce the number of new businesses and this, in turn, would reduce job creation by an estimated 200 000.

The remaining non-college educated migrants work mainly in lower-paid sectors such as retail and agriculture. They also play an important role in industries such as hospitality and food-related services. Many of the migrants send money to family members who remain in their home countries.

Fig. 1.1 shows the relationship between job vacancies in various industries and the share of migrant workers in the workforces of these industries in the US.



Source: US Bureau of Labor Statistics and Current Population Survey, US Census Bureau

Fig. 1.1: Unfilled job vacancies (%) and migrant workers in the workforce (%) for selected US industries, 2019

The reduction in migrants took place at the same time as more older US workers retired.

Mexicans and Central Americans form the largest share of migrants, at over 35% of the total. Average incomes in their home countries are between 10% and 20% of the US average. There is also significant unemployment and under-employment in their home countries. In the US, migrants earn on average 12% less than the average wage for all workers. This varies by ethnic origin: Hispanic workers earn 16% less than the average while white workers earn 15% more than average.

Sources: G Peri and R Zaiour, University of California, Davis. The EconoFact Network, Statista.com
N Ward and J Batalova, Migration Policy Institute, 14 March 2023

(a) Identify the relationship between the variables shown in Fig. 1.1 and suggest **one** possible reason for the relationship. [2]

(b) With the help of a production possibility curve (PPC) diagram, explain **both** the likely effect of the prevention of migration to the US from 2019 **and** the retirement of older US workers on the US's productive potential. [4]

(c) Using the information and labour market theory, analyse why the wages received by migrant workers in the high-tech industries are likely to be higher than the wages received by migrant workers in the hospitality industry. [6]

(d) Evaluate the likely impact of a return to the migration levels prior to 2019 on the macroeconomic performance of the US economy. [8]

Section B

Answer **one** question.

EITHER

2 Evaluate whether marginal utility theory can fully explain the link between the changing price of a good and quantity demanded of that good. [20]

OR

3 Privatisation is often required by the International Monetary Fund (IMF) and the World Bank before they are prepared to offer support to countries requiring loans, grants, debt relief and debt cancellation programs.

Evaluate the view that privatisation will always improve the allocation of resources in a country. [20]

Section C

Answer **one** question.

EITHER

4 The table below contains some key economic data for Mexico in 2020.

Gross National Income (GNI)	18.5 billion pesos
nominal wages	+2.8%
disposable income	+1.2%
unemployment rate	4.2%
population growth rate	1.1%
inflation rate	3.4%

Source: knoema.com

Evaluate the use of these statistics in assessing the standard of living in Mexico in 2020. [20]

OR

5 Between 2010 and 2020, very low interest rates encouraged low-income countries to borrow money from foreign investors and governments to finance long-term economic growth.

Evaluate this approach to promoting long-term economic growth. [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 2024

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

Paper 4 A Level Data Response and Essays **October/November 2024**

2 hours

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 2024

Section A

Answer all parts of Question 1.

1 The threat from large firms

In 2021, one of the largest United States (US) technology companies averaged sales of US$1.2 billion a day. It took less than four seconds to earn US$52 000, the average American yearly salary. Three of the largest technology companies reported record breaking sales and profits. Five of the largest companies made combined profits of over US$68 billion.

They were helped by the Covid-19 pandemic that caused a huge increase in online working and shopping. The ability to work and shop online was greatly welcomed by many who were forced to stay at home.

Critics, however, worry that if this trend to large firms continues the future will be controlled by a handful of super-rich, super-powerful companies. They will dominate economic activity. This is not just bad for the economy; it is bad for consumers and bad for competition. Also, economic concentration causes unacceptable inequality. One powerful firm tried to prevent workers joining a trade union.

Their huge cash reserves mean that they could undercut possible new entrants and prevent competition. Investors will be wary of investing in possible competitors and new owners would be prepared to sell out to the dominant firms rather than try and compete.

The size of the firm gives it political power to fight any official or government intervention. Governments are beginning to be aware of this. The chair of the US body that deals with competition law said there was a range of potential risks created by the large companies. The government is aware of their ability to avoid paying taxes and their ability to dominate allows them to expand into markets for similar products.

Ten years ago, a co-founder of one of the large firms said ‘Joseph Schumpeter, the economist who used the term creative destruction would be proud’. But now that co-founder is not so sure. ‘We went from being pirates to being the navy. People may love pirates when they are young and small, but nobody likes a navy that acts like a pirate. Today’s technology giants are just like that’.

Source: The Guardian, *31 July 2021*

(a) (i) Distinguish between limit pricing and predatory pricing. [4]

(ii) Explain whether there is any evidence in the article of these two types of pricing policy. [2]

(b) Assess **three** possible positive effects on the macroeconomy of the huge increase in the size of the five largest technology companies. [6]

(c) The article says the growth of large firms is bad for consumers, bad for competition, and causes inequality.

Consider whether this statement can be supported by the article and by economic theory. [8]

© UCLES 2024

Section B

Answer **one** question.

EITHER

2 Negative externalities of production cause market failure.

With the help of a diagram, assess the extent to which the introduction of indirect taxation is likely to address this cause of market failure. [20]

OR

3 Wages in a perfectly competitive labour market will always be higher than wages in a monopsony labour market.

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

Section C

Answer **one** question.

EITHER

4 Central banks can control the money supply. An increase in the money supply will cause inflation, therefore central banks can control inflation.

Evaluate this statement. [20]

OR

5 Some high-income countries have introduced a policy of high tariffs on some imports to reduce the negative effects of globalisation on their economies.

With the help of a diagram, evaluate this policy. [20]

© UCLES 2024

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 2024