Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

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

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Section A

Answer all parts of Question 1.

1 **Income inequality**

According to a report by the World Bank, income inequality has declined in some low-income countries in recent years. For example, between 2008 and 2018, the Gini coefficient decreased by more than 5 percentage points in Chile, Colombia and Mexico. In some other countries, such as Ethiopia, India and Indonesia income inequality has remained relatively stable over the past decade while it has increased in China and South Africa.

In low-income countries inequalities of opportunity, in particular the differences in access to education between females and males, appear to pose obstacles to a more equal income distribution. Equality of opportunity becomes an issue of macroeconomic relevance.

Table 1.1 shows Gini coefficients, female/male literacy ratios and the percentages of population in absolute poverty for five countries.

Table 1.1

Country	Gini coefficient	Literacy ratio[1]	% of population below the poverty line
Brazil	0.53	1.01	4.2
Mauritius	0.36	0.95	10.3
India	0.35	0.90	21.9
Egypt	0.31	0.80	32.5
Pakistan	0.30	0.67	24.3

[1]Literacy ratio = female literacy rate ÷ male literacy rate

Source: CIA World Factbook

It is important to note that income inequality is a complex issue that can be influenced by a wide range of factors, including economic growth, government policies and global economic trends. The government can use fiscal and supply-side policies to influence and change income distribution. These could lead to higher Gross Domestic Product (GDP) and increased economic growth.

While the Gini coefficient is the most widely used measure of income inequality, it is important to note that it has limitations. It does not take into account other factors that contribute to inequality such as wealth inequality, and it may not take into account the full extent of inequality in societies with large informal economies.

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(a) Describe what is meant by the Gini coefficient and its possible range of values. [3]

(b) Distinguish between absolute poverty and relative poverty. [3]

(c) Consider whether Table 1.1 supports the conclusion that greater inequality of incomes is linked to poor literacy ratios of females to males **and** leads to greater poverty. [6]

(d) Use **one** example of a supply-side policy and **one** example of a fiscal policy to assess how a government might be able to achieve greater equality in the distribution of income. [8]

Section B

Answer **one** question.

EITHER

2 The long-term equilibrium position in perfect competition is frequently used to illustrate efficient resource allocation in a free market economy.

Explain why this is so and consider what prevents efficiency from being achieved. [20]

OR

3 With the help of an indifference curve diagram, assess the extent to which a rise in price would affect the demand for a normal good differently from the demand for a Giffen good. [20]

Section C

Answer **one** question.

EITHER

4 In many countries increased government spending is regarded as a cause of economic growth. It is sensible, therefore, for a government to spend more to increase economic growth as it is good for its country.

To what extent do you agree with this argument? [20]

OR

5 National income statistics are often used as a measure of the standard of living.

Consider to what extent national income statistics can be used to compare the standard of living between low-income countries and high-income countries. [20]

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