Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **October/November 2020**

2 hours 15 minutes

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 **two** questions.
- 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 70.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Blank pages are indicated.

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Section A

Answer this question.

1 **The economy of Uruguay**

Uruguay, a country of 3.5 million people, had a gross domestic product (GDP) per capita of US$20 000 in 2017 and was ranked at 63rd in the world.

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(a) **(i)** Identify **two** economic policies the Uruguayan government has introduced that should increase economic growth. [2]

(ii) Explain how these policies should increase Uruguay's economic growth. [4]

(b) The information states that in Uruguay there is a national minimum wage.

Using a diagram, discuss the likely effects of the introduction of a national minimum wage on labour markets. [6]

(c) Using Figs. 1.1 to 1.4, comment on the macroeconomic performance of Uruguay. [8]

Section B

Answer **two** questions.

2 **(a)** Explain the relationship between the pollution created by industrial production and economic efficiency. [12]

(b) Using diagrams, discuss whether the policies employed by governments to reduce allocative inefficiency are always effective. [13]

3 **(a)** Explain the roles of marginal costs and average costs in determining the profits of a firm. [12]

(b) Discuss whether mergers between firms always operate against the consumers' interest. [13]

4 The wages of the Chief Executive Officers (CEO) of the six largest banks in the United States (US) were reported to be between 250 and 360 times the average wage of the workers in those banks. The six CEOs were all male.

Discuss the extent to which economic theory can account for these variations in wages. [25]

5 **(a)** Analyse the causes of unemployment and explain which cause could be most significant for your country. [12]

(b) Discuss whether supply-side policies are the most appropriate for reducing unemployment. [13]

6 "Investment by multinational corporations (MNCs) in a developing country always promotes sustainable economic growth in that country."

Discuss. [25]

7 **(a)** Explain why gross domestic product (GDP) is widely used as a measure of economic growth and the standard of living. [12]

(b) Discuss why alternatives to GDP are increasingly used to measure the standard of living. [13]

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