Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **October/November 2022**

2 hours 15 minutes

4273091403

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. Any blank pages are indicated.

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Section A

Answer this question.

1 An Opportunity for Guyana

The International Monetary Fund (IMF) believed that Guyana, one of South America's geographically smallest countries, was likely to see a dramatic 86% rise in its economic output in 2020.

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- invest in coastal protection to guard against rising sea levels.

Source: The Economist, *29 February 2020 pg.35*

(a) Explain how the discovery and extraction of oil affects the productive capacity of Guyana. [2]

(b) Using the information in the article:

(i) Explain the type of unemployment arising from the closure of sugar plantations in Guyana. [2]

(ii) Explain how this type of unemployment might be reduced. [4]

(c) Explain how an over-valuation of the exchange rate may affect Guyana's economy. [4]

(d) Discuss, with reference to the article, how the establishment of the new fund may benefit the population of Guyana. [8]

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Section B

Answer **two** questions.

2 **(a)** Using diagrams, explain with examples the meaning of a positive externality for a consumer and a negative externality for a producer. [12]

(b) Discuss the extent to which positive externalities and negative externalities explain all forms of market failure. [13]

3 **(a)** Explain the law of diminishing returns and its relevance to the shapes of the marginal cost curve and the average variable cost curve of a firm. [12]

(b) Discuss the extent to which a firm's ability to operate a policy of price discrimination is determined by the market structure in which that firm operates. [13]

4 Discuss the extent to which the marginal revenue product theory can be used to explain the determination of wages. [25]

5 **(a)** Using Keynesian theory of interest rate determination, explain why interest rates are sometimes very low. [12]

(b) Discuss whether in a period of very low interest rates, monetary policy alone can solve the problem of cyclical unemployment. [13]

6 **(a)** Explain how changes in the internal value of a country's currency can affect the external value of that currency. [12]

(b) Discuss whether a government can achieve all its key macroeconomic aims simultaneously. [13]

7 Discuss the ability of multinational corporations to increase living standards in their home country **and** the other countries in which they operate. [25]

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