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

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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.

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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

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(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]

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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]

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