Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

Paper 4 A Level Data Response and Essays **October/November 2023**

2 hours

3238288514

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 The decline of South Africa's economy

South Africa is the most industrialised country in the continent of Africa but it is also an economy with much economic inequality.

Recently governments in South Africa have aimed to reduce economic inequalities by redistributing incomes and increasing both job and investment opportunities for all sections of society. Unfortunately, the reforms have been undermined through poor organisation and management. State railways, port facilities, airways and electricity production have been affected.

Government statistics for the first quarter of 2020 show that South Africa's economy contracted by 3.2%, the biggest quarterly decline of actual economic growth in a decade (see Fig. 1.1). Gross domestic product (GDP) per capita was US$6130 in December 2019, 5.8% lower than in December 2018.

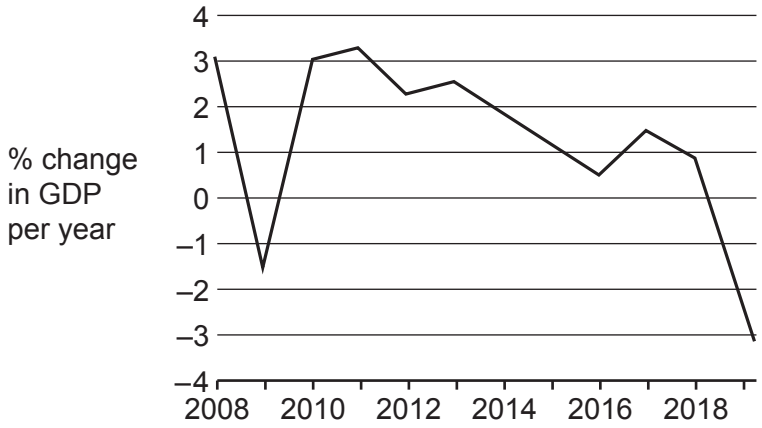


Fig. 1.1 South Africa annual growth rate, 2008 to 2019

This economic decline is reflected in the electricity supply industry, which is a state-owned monopoly. It is struggling to survive mainly due to mismanagement. For several months it rationed electricity consumption and introduced regular power cuts for households and industries. The rationing policy led to decreases in production and increases in unemployment. The company's debts added significantly to South Africa's current national debt to GDP ratio of 56% and are seen as the biggest threat to the economy.

Further evidence of economic difficulties can be found in the mining industry, a significant part of South Africa's economy. A controversial reform was introduced to give more equality of ownership. Already facing rising costs and growing bureaucracy, many mining firms, including multinational companies, stopped investing altogether which reduced potential economic growth. The mining industry declined. Thousands of jobs were lost despite South Africa having significant deposits of platinum, gold and iron ore.

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For South Africa's economy to grow it needs to address major infrastructure issues. Also, in disadvantaged communities the education system is weak contributing to a skills shortage and a rise in the unemployment rate to 27% (see Fig. 1.2). Increased production is further hindered by restrictive trade union practices.

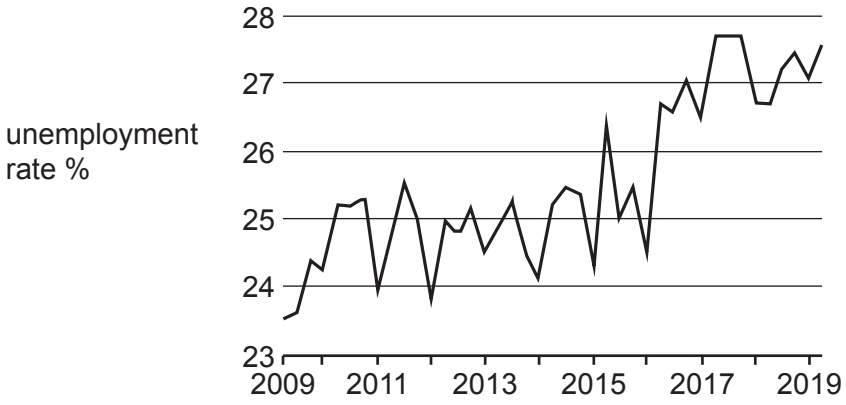


Fig. 1.2 South Africa's unemployment rate

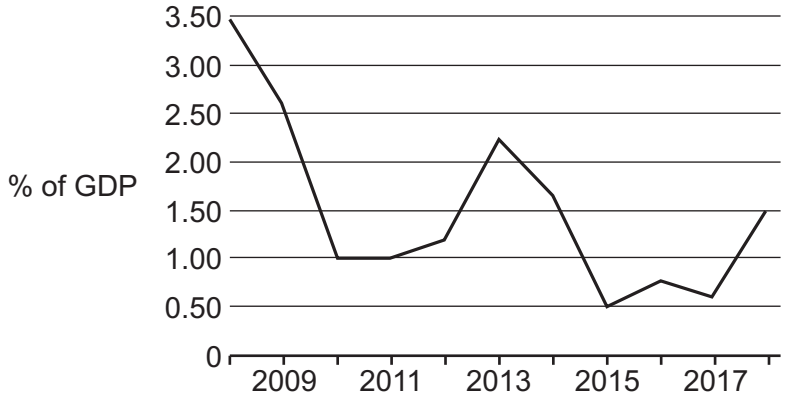


Fig. 1.3 South Africa's foreign direct investment (FDI) net inflows

An analyst said: 'A critical reason for low economic growth has been a lack of private sector investment and FDI (see Fig. 1.3). The lack of investment wasn't just due to the political policies but also to uncertainty and mismanagement which led to continued inequalities.'

Sources: The Daily Telegraph, 6 July 2019 and ceicdata.com

(a) Describe what is meant by economic equality and distinguish it from equity. [3]

(b) Define what is meant by actual economic growth and analyse the relationship between economic growth and unemployment as illustrated by Fig. 1.1 and Fig. 1.2. [5]

(c) Assess the evidence provided about the significance of the performance of the state-owned electricity monopoly as a contributor to the decline in South Africa's economy. [5]

(d) Evaluate whether attracting investment and managing uncertainty are the most effective ways to improve the prospects for South Africa's economy. [7]

Section B

Answer **one** question.

EITHER

2 Pollution is caused when consumers or producers make decisions based on self-interest. This is a sign of market failure.

With the help of a diagram, evaluate the extent to which government policies should rely upon market forces to address this market failure. [20]

OR

3 Evaluate the view that monopolistically competitive firms will always charge lower prices and operate more efficiently than a monopoly firm. [20]

Section C

Answer **one** question.

EITHER

4 With the help of a diagram, assess the effectiveness of using fiscal policy to close a negative output gap in an economy [20]

OR

5 Assess the impact of international aid on the standard of living in low-income countries. [20]

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