Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 A Level Data Response and Essays **October/November 2024**

2 hours

9284221820

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.

© UCLES 2024

Section A

Answer all parts of Question 1.

1 The economic impact of extracting natural resources

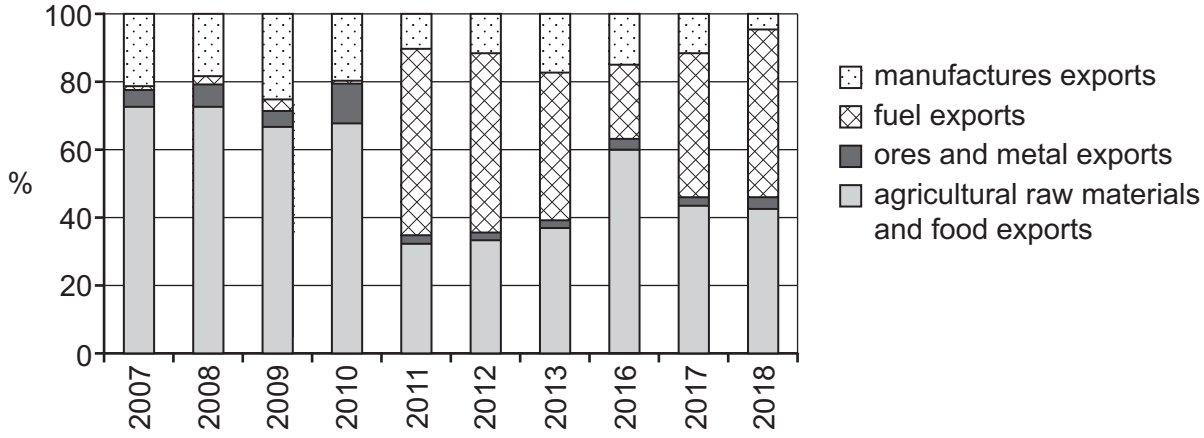
Many low-income countries have high unemployment and large deposits of unused natural resources. In 2007, Ghana discovered a new offshore oil field and extraction started in 2010. The discovery and extraction of such natural resources can create new jobs, that increase incomes and consequently gross national income (GNI). The additional income will lead to an increase in spending on both domestic and imported goods and services, creating further employment in other sectors through the multiplier effect.

However, the extraction of oil may 'crowd out' other sectors of the economy. Workers might move, for example from agriculture and manufacturing to the mining sector due to higher wages. Also, the prices of houses, land and locally produced goods may increase. This could increase the cost of living and discourage businesses from operating in the affected region.

The export of oil from Ghana causes an inflow of United States dollars (US$), increasing the exchange rate of Ghana's currency, the cedi. This appreciation reduces the competitiveness of Ghana's agricultural and manufactured goods, leading to an increased demand for imports. This loss of competitiveness is referred to as the 'Dutch disease', reflecting the experience of the Netherlands following the exploitation of their natural gas reserves.

Oil provides the Ghanaian government with revenue from the tax on each barrel of oil produced. This revenue can be used to provide transfer payments and goods and services such as roads, health facilities, and public water supply. These can benefit both households and businesses. Alternatively, the presence of such revenues can create corruption and conflict as political groups compete for them.

Between 2011 and 2018 agricultural products and food as a share of Ghana's exports have decreased, as shown in Fig. 1.1.



Source: World Bank database, 2019

Fig. 1.1: Structure of exports of goods from Ghana 2007 to 2018

The extraction of natural resources has also affected Ghana's economic performance, as shown in Table 1.1.

Table 1.1: Selected economic data for Ghana, 2007 and 2019

	2007	2019
Human Development Index (HDI)	0.55	0.61
GNI per capita (US$) ppp	2478	5484
exchange rate (cedi per US$)	1.06	0.17

(a) With the aid of a diagram, explain the effect of natural resource development on the potential growth of Ghana. [4]

(b) Explain how the extraction of natural resources in Ghana will 'create further employment in other sectors through the multiplier effect'. [4]

(c) Explain what the information means by the 'Dutch disease' and using Fig. 1.1, consider to what extent Ghana suffered from this problem. [4]

(d) Use the information to assess the impact of the extraction of oil on the standard of living in Ghana. [8]

© UCLES 2024

[Turn over

Section B

Answer **one** question.

EITHER

2 Governments in many countries are promoting policies that reduce the impact of the negative externalities.

Evaluate, using appropriate diagram(s), the extent to which **two** policies used to reduce negative externalities can also improve allocative efficiency. [20]

OR

3 Evaluate the consequences for the price and output of a firm if it changes its objective from profit maximisation to sales maximisation as a response to the principal-agent problem. [20]

Section C

Answer **one** question.

EITHER

4 In periods of rising and persistent inflation, consumers and workers change their expectations of the future rate of inflation.

Evaluate, with the help of a diagram(s), the consequences of these changes of expectations for fiscal policy. [20]

OR

5 In recent years many countries have joined or established a free trade area (FTA).

Evaluate, with the help of a diagram(s), whether membership of an FTA is always beneficial to a country. [20]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.