Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

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

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 Reduced Migration to the United States (US)

The factors of production land, labour, capital and enterprise form the basis for all economic output. Whilst land is geographically fixed, the other factors of production, for example labour, are mobile. Large numbers of migrants move from country to country every year. Many migrate to the US.

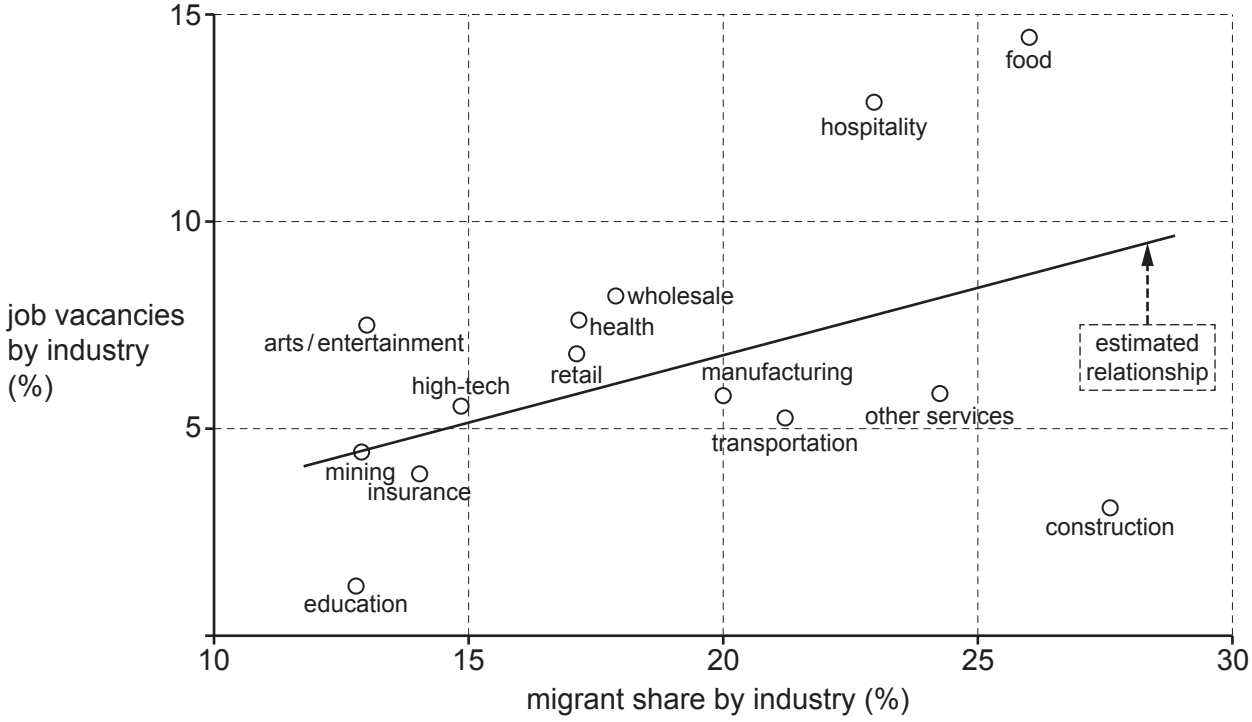
The average increase in the number of migrants working in the US was 0.6 million per year until 2018. However, the Covid-19 restrictions in place since 2019 prevented migration and by 2022 the total number of migrants working in the US was nearly 2 million lower than expected.

Half of migrants initially come as students, to be college educated, often in science-based subjects. Post-graduation, they often remain to work in the high-tech industries, before many return to their home countries with enhanced skills.

Well-educated immigrants are three times more likely to start businesses than inhabitants of the US. The reduction in the number of new migrants would reduce the number of new businesses and this, in turn, would reduce job creation by an estimated 200 000.

The remaining non-college educated migrants work mainly in lower-paid sectors such as retail and agriculture. They also play an important role in industries such as hospitality and food-related services. Many of the migrants send money to family members who remain in their home countries.

Fig. 1.1 shows the relationship between job vacancies in various industries and the share of migrant workers in the workforces of these industries in the US.



Source: US Bureau of Labor Statistics and Current Population Survey, US Census Bureau

Fig. 1.1: Unfilled job vacancies (%) and migrant workers in the workforce (%) for selected US industries, 2019

The reduction in migrants took place at the same time as more older US workers retired.

Mexicans and Central Americans form the largest share of migrants, at over 35% of the total. Average incomes in their home countries are between 10% and 20% of the US average. There is also significant unemployment and under-employment in their home countries. In the US, migrants earn on average 12% less than the average wage for all workers. This varies by ethnic origin: Hispanic workers earn 16% less than the average while white workers earn 15% more than average.

Sources: G Peri and R Zaiour, University of California, Davis. The EconoFact Network, Statista.com
N Ward and J Batalova, Migration Policy Institute, 14 March 2023

(a) Identify the relationship between the variables shown in Fig. 1.1 and suggest **one** possible reason for the relationship. [2]

(b) With the help of a production possibility curve (PPC) diagram, explain **both** the likely effect of the prevention of migration to the US from 2019 **and** the retirement of older US workers on the US's productive potential. [4]

(c) Using the information and labour market theory, analyse why the wages received by migrant workers in the high-tech industries are likely to be higher than the wages received by migrant workers in the hospitality industry. [6]

(d) Evaluate the likely impact of a return to the migration levels prior to 2019 on the macroeconomic performance of the US economy. [8]

Section B

Answer **one** question.

EITHER

2 Evaluate whether marginal utility theory can fully explain the link between the changing price of a good and quantity demanded of that good. [20]

OR

3 Privatisation is often required by the International Monetary Fund (IMF) and the World Bank before they are prepared to offer support to countries requiring loans, grants, debt relief and debt cancellation programs.

Evaluate the view that privatisation will always improve the allocation of resources in a country. [20]

Section C

Answer **one** question.

EITHER

4 The table below contains some key economic data for Mexico in 2020.

Gross National Income (GNI)	18.5 billion pesos
nominal wages	+2.8%
disposable income	+1.2%
unemployment rate	4.2%
population growth rate	1.1%
inflation rate	3.4%

Source: knoema.com

Evaluate the use of these statistics in assessing the standard of living in Mexico in 2020. [20]

OR

5 Between 2010 and 2020, very low interest rates encouraged low-income countries to borrow money from foreign investors and governments to finance long-term economic growth.

Evaluate this approach to promoting long-term economic growth. [20]

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