Cambridge Assessment
International Education

Cambridge International AS & A Level

ECONOMICS   **9708/42**

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

                                                                                                                                    2 hours 15 minutes

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.

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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