Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2021**

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.

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Section A

Answer this question.

1 The economic impacts of the increasing use of all-electric cars

Some governments have agreed targets to reduce air pollution and, as part of this, are concerned about the social costs caused by the use of petrol and diesel vehicles. In response, car manufacturers are producing all-electric cars. The sales of these are increasing, especially in developed countries. The success of this switch to all-electric cars will depend on improving both battery technology as well as building an infrastructure in which, as drivers reduce their use of fossil fuels, electricity charging points will replace petrol pumps.

Fig. 1.1 shows the cumulative number of all-electric cars in the world between 2010 and 2016.

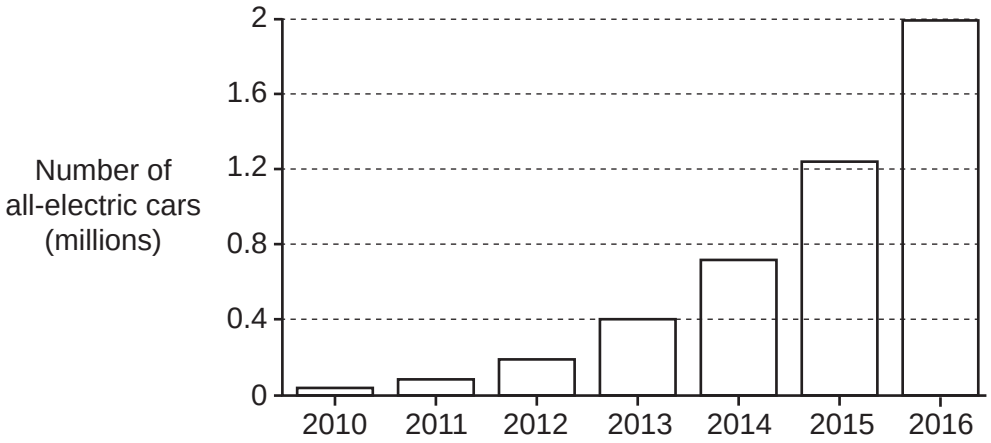

Fig. 1.1

Fig. 1.2 shows the annual sales of all cars in the world between 2010 and 2016.

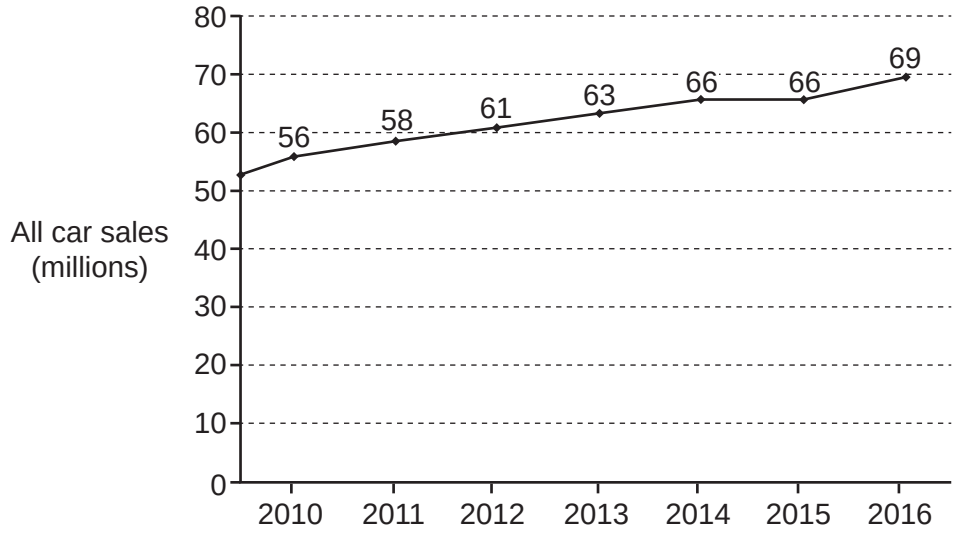

Fig. 1.2

Some forecasters predict that about one third of the world's cars will be all-electric by 2040. Their forecasts are based on the assumption that the costs of batteries to run these cars will have declined steeply from their present levels. Battery costs are dependent on supplies of various metals which are used as component parts. Supplies of these metals are finite and their prices, linked to mining costs, will be crucial in increasing the scale of all-electric car production.

In 2016, the cost of the batteries was 49% of the total cost of the car. In 2017 it was stated at a New Energy conference in Shanghai that battery prices would need to drop by more than half before all-electric cars would become competitive with cars powered by petrol and diesel engines.

Oil producers claim that growth in sales of all-electric cars will not substantially reduce world demand for oil. The world needs oil for much more than just cars. Cars account for only about a fifth of the 95 million barrels the world consumes every day. Most of the rest is used in industry or to fuel heavy goods vehicles, aircraft and ships, which do not have easy non-oil alternatives. In developing economies, petrol sales are expected to continue rising because these countries do not have the infrastructure or sufficient capital investment to enable the switch to electric vehicles.

Source: The Times, 31 July 2017; letters to the Guardian, 8 August 2017;
World Motor Vehicle sales of new vehicles 2005–2016 published by OICA, accessed 8 August 2017

(a) Comment on the relative significance of the growth in the number of all-electric cars for 2010–2016 compared with annual sales of all cars in the world. [2]

(b) Use the information to discuss what might happen to the long-run average cost of producing batteries for all-electric cars. [5]

(c) Use the information to assess whether it is likely that the switch to all-electric cars will substantially reduce world demand for oil. [6]

(d) Assess the effects on the social costs of transport of replacing diesel and petrol engine cars with all-electric cars. [7]

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[Turn over

Section B

Answer **two** questions.

2 'The cause and extent of market failure depends entirely upon the type of market structure under consideration.'

Discuss this statement. [25]

3 **(a)** Explain the factors which determine the elasticity of demand for labour and discuss the importance of the elasticity of demand for labour in relation to the effectiveness of a government's minimum wage policy. [12]

(b) 'Monopsonist employers cause labour market failure while trade unions can solve this labour market failure.'

To what extent do you agree that this view is accurate? [13]

4 **(a)** Explain what economists mean by the marginal propensity to consume and consider the importance of this concept in relation to government macroeconomic policy. [12]

(b) Discuss what determines the level of savings in an economy and assess the impact of an increase in the level of savings upon economic growth and employment. [13]

5 **(a)** Explain the quantity theory of money and discuss why the theory might not work in practice. [12]

(b) To what extent do you agree with the view that the control of inflation should be the most important macroeconomic aim? [13]

6 'In developing economies an increase in GDP determines an increase in the standard of living. Foreign direct investment (FDI) will produce an increase in GDP therefore governments in developing economies should encourage FDI.'

How far do you agree with this statement? [25]

7 **(a)** Explain what is meant by infrastructure and consider the view that an increase in investment in infrastructure will promote an increase in both actual and potential economic growth. [12]

(b) To what extent do you agree that it is **not** possible to achieve economic growth without simultaneously causing a balance of payments deficit? [13]

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