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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 AS Level Data Response and Essays **February/March 2024**

2 hours

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 [ ].

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Section A

Answer all parts of Question 1.

1 **Artificial Intelligence**

Artificial Intelligence (AI) is a form of technological progress. It involves computers or computer-controlled robots engaging in tasks usually performed by humans. Many businesses invest in AI to reduce their costs, to increase their efficiency by reducing human errors and to raise business revenues and profits.

The COVID-19 pandemic has accelerated this process – from increased use of contactless card payment systems to large-scale investment in driverless taxis. In China, a leading internet search company plans to follow some of its rivals in the United States (US) by starting a driverless taxi service in 100 cities by 2030.

Nevertheless, the pace of growth in AI has raised concerns that this will result in increased unemployment. One study suggests that up to 38% of US jobs are at risk from automation by the mid-2030s. To date, Japan has between 200 and 300 AI companies. It is also the leading supplier of industrial robots and third, behind China and the US, in spending on research and development into AI.

Just a few years ago, the growth of the internet created similar fears. Despite these concerns, the technology created millions of jobs and contributed as much as 10.5% towards US GDP in 2020. As a result, some economists suggest that the movement towards AI will fundamentally change the world and the way we work and live but will not lead to large rises in unemployment. AI technology may create more jobs than it destroys.

Nonetheless, the danger remains that automation will lead to a society of winners and losers. These newly created jobs will require new skills and significant investment in training young people and retraining adults. Therefore, governments may need to implement targeted policies to ensure that any changes to structural unemployment are only short-lived. However, rising national debt alongside projections of low economic growth, as shown in Table 1.1, may reduce the ability of governments to deliver such policies.

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Table 1.1: Selected macroeconomic indicators for Japan and the US, 2020 to 2025

	Japan			US		
	Central government debt (% of GDP)	**Unemployment rate (%)**	**Real GDP growth (% change from previous year)**	**Central government debt (% of GDP)**	**Unemployment rate (%)**	**Real GDP growth (% change from previous year)**
2020	254.1	2.8	–4.6	133.9	8.1	–3.4
2021	256.9	2.8	2.4	133.3	5.4	6.0
2022*	252.3	2.4	3.2	130.7	3.5	5.2
2023*	250.8	2.3	1.4	131.1	3.0	2.2
2024*	251.0	2.3	0.8	131.7	3.0	1.7
2025*	251.3	2.3	0.6	132.5	3.1	1.7

*forecast

Source: IMF, 2021

(a) Using the information in Table 1.1, compare the change in projected real GDP growth of Japan with that in the US between 2022 and 2025. [2]

(b) With the help of a production possibility curve (PPC) diagram, demonstrate the likely impact of increased investment in AI on the Japanese economy in the long run. [2]

(c) With the help of a demand and supply diagram, consider the impact of additional investment in AI on the price and output of a US carmaker. [4]

(d) Assess the possible impact on unemployment in Japan as a result of the increased investment in AI. [6]

(e) Assess the likely impact of the growth of AI on the specialisation and trade of a country such as Japan. [6]

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Section B

Answer **one** question.

EITHER

2 **(a)** With the help of a demand and supply diagram, explain how the introduction of an indirect tax affects equilibrium in a market **and** consider the extent to which the incidence of the tax will fall on the consumer. [8]

(b) Assess whether the improved provision of information is likely to be the best method to reduce the consumption of demerit goods. [12]

OR

3 **(a)** With the help of a formula, explain the meaning of income elasticity of demand **and** consider the extent to which a rise in income will increase the consumption of **all** goods and services. [8]

(b) Assess whether an estimate of the price elasticity of demand for a product is likely to be more useful to a firm than an estimate of its price elasticity of supply. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** Explain what is meant by a depreciation of the exchange rate **and** consider whether a depreciation is likely to increase domestic real output. [8]

(b) Assess whether contractionary fiscal policy is likely to be the best way to reduce a current account deficit on the balance of payments. [12]

OR

5 **(a)** With the help of an aggregate demand and aggregate supply diagram, explain how a decrease in interest rates could cause economic growth **and** consider whether economic growth will always result in inflation. [8]

(b) Assess whether economic growth is always desirable for an economy. [12]

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