



Cambridge International AS & A Level

THINKING SKILLS

9694/42

Paper 4 Applied Reasoning

May/June 2022

1 hour 45 minutes



You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** 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.

INFORMATION

- The total mark for this paper is 50.
- The number of marks for each question or part question is shown in brackets [].

This document has **8** pages. Any blank pages are indicated.

- 1 (a) State the main conclusion of the argument in Document 1. [1]
- (b) Identify **three** intermediate conclusions in paragraphs 2 to 4 of Document 1. [3]
- (c) Analyse the structure of the reasoning in paragraph 5 of Document 1. [4]
- 2 (a) Identify and explain **three** flaws and/or weaknesses in the reasoning in paragraphs 2 to 4 of Document 1. [6]
- (b) Assess the extent to which the reasoning in paragraph 6 of Document 1 supports the argument as a whole. [3]
- 3 Document 3 contains a table of information that is used to support the claim that “the high taxes associated with socialism mean more people out of work”.
- Explain **three** ways in which the support provided to this claim by the information in the table is weak. [6]
- 4 *You are advised to spend some time planning your answer before you begin to write it.*
- ‘Socialism is better than capitalism.’
- Construct a reasoned argument to support **or** challenge this claim. In your answer you should make critical use of the documents provided. [27]

DOCUMENT 1**Stop moaning and get a job**

- 1 It is the beginning of May and I am again reading about anti-capitalism protests in one of our major cities. There has been damage to property, people have been injured, protesters have been arrested, and police have either been paid overtime or been diverted from other duties. More fundamentally, those taking part will have damaged the economy further by taking time off work to protest. Mass anti-capitalist demonstrations are becoming increasingly common. But they harm society and governments should take action to prevent them in the future.
- 2 A capitalist system is one in which a country's trade and industry are controlled by private owners for profit, rather than by the state. Without the right to own property and, hence, the ability to make a profit, the motivation for hard work disappears. In almost any line of work where you get paid for the number of items you produce, you are going to work hard to produce as many items as possible. If you know the state is going to bail you out when you don't meet your quotas then you are not going to put much effort into your work. So capitalism encourages the global production which is the basis for the comfortable lifestyle that many now enjoy.
- 3 Most countries around the world have adopted a capitalist system. This is proof that capitalism is the only system that works. All the famous socialist systems of the twentieth century have failed – the Soviet Union collapsed, and Cuba has been suffering in poverty for 60 years since the US trade embargo began. Even China, regarded now as an economic success, has had to make changes to its socialist system to allow individuals and corporations to make a profit in order to facilitate this success. China was once poor but now has the second-largest economy in the world.
- 4 The motivation for these protesters is simply envy. They are not really anti-capitalist; they are just anti-wealth. Most of the protesters are poor and unemployed. Their own poverty makes them envious of those with more money than them; the fact that they are unemployed gives them time to turn up and protest. They should wash their hair and get a job instead of interfering with the wealth-creators in society.
- 5 Claims that capitalist systems are bad for the poor are unfounded. The increased wealth of society benefits everyone because money flows from rich to poor. Rich people pay for the goods and services provided to them by poor people. Money taken in taxation from the richer people pays for state institutions that can intervene to help the poorest in society or impose restrictions on companies that have too much power.
- 6 In socialist systems, society is ruled by the state. In capitalist systems, society is ruled by the individual. Clearly anyone with any sense would prefer to live in a capitalist system.

DOCUMENT 2

Capitalism v. Socialism

Capitalism and socialism are two ways in which an economy can operate. Capitalism is associated with economic freedom and consumer choice. Socialism is associated with state control of the economy and greater social welfare.

Key Features of a Capitalist Economy

- Based on the principle of a free market made up of buyers and sellers.
- Goods and services are provided for a profit, which is reinvested into the economy.
- An efficient capitalist economy relies on continual supply and demand.
- An important principle is that governments should not interfere in the free market.
- Capitalists believe that governments do not use economic resources as efficiently as private enterprise.

Advantages

- Competition: Individuals choose what to consume; this competition leads to better products and services.
- The profit motive creates incentives to cut costs and avoid waste, increasing efficiency.
- Thus, capitalism facilitates economic growth and expansion, which leads to improved living standards.

Potential problems

- The emergence of commercial monopolies: Firms with a monopoly (when a single enterprise is the only supplier) can charge higher prices.
- Inequality: A small group of people hold all the wealth and that wealth passes to the same group of people in the next generation, resulting in inequality and social divisions.
- Boom and bust: A market-based economy will invariably experience growth and decline.

Key Features of a Socialist Economy

- The means of production is owned by the state, or subsidiaries of the state.
- The profits of nationalised (owned by the state) industries must be returned to and benefit society as a whole.
- There is equal opportunity for all.
- Production and economic activity are planned by the state and based on societal needs and economic demands.
- The government is responsible for reducing social inequality via programmes that benefit the poor.

Advantages

- Potential for efficiency: Economic decisions are controlled and regulated by state planning authorities towards a particular goal.
- Social welfare: This is the main goal of government intervention in the economy.
- Absence of commercial monopolies.
- Absence of boom and bust cycles: Future planning can prevent large business fluctuations.

Potential problems

- Less production overall: Reduced financial incentives means that some individuals do not work as hard or gain the skills needed to facilitate production.
- Reduced risk taking: Without a financial incentive to encourage risk, innovation is less likely.
- Commercial monopolies can be replaced by state monopolies with similar problems.

DOCUMENT 3

Pro-capitalist political commentary

A recent opinion poll showed that socialism was more popular than capitalism with young voters. Clearly, in this instance, 'young' means naïve and misguided. These 'young' voters need to be made aware of the facts! Socialism gives power to governments. Capitalism returns power to the individual.

Socialism benefits the few. Winston Churchill once said, 'The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.' Sure, socialism offers more security for the weak and lazy members of society, but at the expense of the hard-working and resourceful majority. It is like the world's most expensive insurance policy. You won't drop below a minimal level of poverty, but at the expense of massively restricting your opportunity to prosper. This is a great deal only if you are lazy, incompetent or very unlucky. In this way, a socialist society puts the needs of the few above the needs of the many.

Socialism discourages entrepreneurship. Socialism strives to create equality of outcome for citizens. In order to reduce inequality, governments need to interfere in the lives of citizens with increased taxation and regulation. Capitalism encourages people to start small businesses and make something of themselves, whereas socialism stifles enterprise with huge amounts of bureaucracy.

Socialism discourages innovation. Innovation can be a risky business, and if you are taking a big risk you need to be sure you can reap any potential rewards. In a capitalist society, productive people are rewarded for their efforts. But a socialist society would take some of your money and give it to those who have no idea and will not take any risks. If creative people are not allowed to benefit from their ideas, they will put less time, money and effort into developing new concepts and inventions.

Capitalism is good for everyone. Capitalism undoubtedly produces more economic growth than socialism. A fast-growing economy creates more wealth and helps everyone. In many parts of the world, poverty means the prospect of starvation, but to be poor in the USA means still having TVs, refrigerators and cell phones. In a capitalist society the rich get richer, but so do the poor.

Socialism is wasteful. In a socialist society, governments take in more money through taxation. They then spend that money, supposedly for the benefit of society. This encourages waste, as less care is taken about where money is spent. A company that makes products no-one wants will go out of business. A poorly performing government department that wastes money will probably receive a bigger budget the next year! A quick glance at some hard facts shows that the high taxes associated with socialism mean more people out of work.

Country	Proportion of average wages collected in tax (%)	Government spending on unemployment relief (compared to the OECD* average)
Belgium	56	3.6
France	48	1.6
Finland	44	1.7
Portugal	42	1.2
Average	36	1.0
USA	32	0.8
Switzerland	23	0.6
Israel	22	0.3
Chile	7	less than 0.1

*OECD is a group of 34 countries that come together to discuss issues concerning the world economy

DOCUMENT 4**Webpage of anti-capitalist pressure group**

- **One in three deaths worldwide is due to poverty!**
- **1 billion people go hungry, yet global agricultural production is enough to feed the entire population.**
- **In the US there are 5 empty properties for every homeless person while nearly 4 out of every 5 households are in debt.**

Capitalism is amoral. Its only core principle is the accumulation of wealth by individuals and corporations. There is no responsibility toward society or stewardship of the natural world.

Capitalism creates inequality. Those that are good at accumulating wealth accumulate more of it and those that are less good at wealth accumulation accumulate less of it. Thus, the continuous pursuit of wealth leads to the concentration of that wealth in fewer and fewer hands.

Capitalism is unsustainable. It depends on limitless growth but natural resources are finite. In the short term, this means the dwindling of natural resources and ecosystems, and, in the long term, it means the destruction of the planet.

Capitalism encourages war. It believes that the resources that produce wealth must be controlled, and that war is an essential part of that control.

Capitalism is anti-democratic. Democracies are corruptible: money can buy influence in government. This means that wealthy individuals and corporations can control democratically elected governments.

Capitalism is not linked to happiness. We have all heard the phrase 'money cannot buy happiness', but all the authoritative research suggests that inequality in society is correlated with unhappiness. People are not unhappy because they earn only \$10 a day. They are unhappy because they earn \$10 a day but the guy in the big house on the hill earns \$1000 a day.

DOCUMENT 5**Results of a 2016 internet search for capitalist and socialist countries**

<i>Capitalist countries¹</i>	<i>Top 5 capitalist countries²</i>	<i>Examples of countries with a socialist government³</i>	<i>Socialist countries as declared by their constitution⁴</i>
Australia	China	Belgium	Algeria
Bahrain	Germany	Canada	Angola
Canada	India	China	Bangladesh
Czechia	Japan	Denmark	Guyana
Germany	United States	Finland	India
Hong Kong		Ireland	Mozambique
Ireland		Netherlands	Portugal
Israel		New Zealand	Sri Lanka
Jamaica		Norway	Tanzania
Japan		Sweden	
Mauritius			
Mexico			
New Zealand			
Panama			
Singapore			
South Africa			
South Korea			
Spain			
Sweden			
Switzerland			
United Arab Emirates			
United States			

Sources

- 1 Edited list from an online dictionary
- 2 Unedited list from the website of a finance company
- 3 Unedited list from an independent blog
- 4 Unedited list from an online dictionary

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