

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS

0455/04

Paper 4 Structured Questions

October/November 2003

2 hours

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer Question 1 (Section A) and any **three** questions from Section B.
At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of 4 printed pages.



Section A

Answer this question.

- 1** Investment in Namibia increased from N\$4445 million in 1998 to N\$4909 million in 1999 at current market prices. In the same period, according to a government report, overall economic growth in Namibia was 3.8%.

The report examined the main factors for this and stated that the primary sector registered a positive growth. Agriculture showed an increase of 11.7% in 1999 compared with 1.8% in 1998, fishing grew by 1.3% in 1999 and diamonds showed an increase of 9.4% in 1999, compared with 1.3% in 1998.

The secondary sector recorded a decline of 1.7% in 1999, with manufacturing decreasing by 0.6%, fish processing decreasing by 9.6% and construction declining by 18.3%.

- (a)** What is meant by investment? [2]
- (b)** In the first sentence of the article you will find the phrase 'current market prices'. What does this phrase tell you? [2]
- (c)** The article says economic growth rose by 3.8%.
- (i)** Define what is meant by economic growth. [2]
- (ii)** Explain the link between a rise in investment and a rise in economic growth. [4]
- (d)** An aim of government policy is to achieve economic growth. Explain what benefits economic growth can bring to a country. [6]
- (e)** Discuss whether the information allows you to determine which is the most significant sector in the Namibian economy. [4]

Section B

Answer **three** questions.

- 2** In 2001 there was a crisis in the farming industry in the UK. The spread of a disease meant many animals had to be killed. The government decided to compensate the farmers with a subsidy.
- (a) Explain what is meant by a subsidy and illustrate the effect of a subsidy in a market by using a demand and supply diagram. [4]
 - (b) Discuss how UK farmers' costs, revenues and profits might have changed in 2001. [6]
 - (c) Explain what is meant by price elasticity of demand. [4]
 - (d) How might the concept of price elasticity of demand be of use to a farmer? [6]
- 3** In the UK the Royal Society for the Protection of Birds (RSPB) has recently bought land around the coast to prevent building on the area where rare birds breed. It has received donations from the public towards the cost. The RSPB plans to set up special visitor centres in the area.
- (a) Explain which factors of production are involved in the above action by the RSPB. [4]
 - (b) Discuss whether the local area might be more likely to gain or lose from the action of the RSPB. [6]
 - (c) Define the following terms and identify an example of each in the above passage.
 - (i) private cost
 - (ii) social benefit. [4]
 - (d) The RSPB is a private charity. Do you think the protection of rare birds should be the responsibility of a government rather than private charities? [6]
- 4** Countries are categorised as less developed because of their poverty and low average incomes, their lack of good human resources and their low level of economic diversification.
- (a) Explain what is meant by
 - (i) 'their lack of good human resources', [3]
 - (ii) 'their low level of economic diversification'. [3]
 - (b) Explain whether it can be concluded from the above statement that all people in less developed countries are poor. [4]
 - (c) Explain what is likely to be the occupational distribution of the population in a less developed country. [4]
 - (d) If a less developed country becomes classified as a developed country, what changes would probably have happened to the structure of its population and its occupational distribution? [6]

- 5** 'The most effective support the industrialised countries could provide for the poorer nations would be to open their markets to the products of developing countries by having fewer trade restrictions.' (Trade and Industry Minister for Ghana, 2001)
- (a)** What forms do trade restrictions often take? [3]
 - (b)** Discuss the immediate and the long-term changes that might occur in developing countries if trading restrictions were reduced. [7]
 - (c)** Discuss whether it is better for a country to produce many products and protect its markets from international trade or whether it is better to try to achieve specialisation in some products only. [10]
- 6** In the past the UK government was anxious to reduce the rate of inflation. Now the rate of inflation measured by the Retail Price Index (RPI) continues to remain low and is not causing too much concern.
- (a)** What does a retail price index (index of consumer prices) measure? [2]
 - (b)** What causes inflation? [8]
 - (c)** Why might a government be worried about the rate of inflation? [10]
- 7** British Gas is a large profit-making public company in the UK. A publicity leaflet from the company stated that the number of customers it served had increased. It also said that the company was more willing to pay compensation to customers for failure to meet required standards of service.
- (a)** Explain what is meant by the principle of profit maximisation. [4]
 - (b)** Discuss what might have happened to profits as a result of each of the changes mentioned in the leaflet. [6]
 - (c)** Describe briefly the main types of business organisation and consider which of them is likely to be the most significant in a developed economy. [10]