

CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ECONOMICS**

**0455/04**

Paper 4 Structured Questions

May/June 2003

Additional Materials: Answer Booklet/Paper

**2 hours**

**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** Private home ownership is increasing in China. For years the urban Chinese relied on overcrowded housing rented from the state and often waited a long time to have their own apartment. Now, with the increase in the market economy, the government is encouraging city-dwellers to buy their own homes by giving cheap loans and tax-relief. Home buying will help China's economy. New home-owners need to spend money on furniture, appliances and decorating. GDP grew by 8% in 1999, of which the housing industry contributed about a fifth.

The housing changes will affect social and political issues as well as the economy. In the old system people had to live close to their work, and it was difficult to change jobs because no other housing was available. Single people had no hope of being allocated an apartment. Now anyone with money can buy a home and choose where they wish to live.

- (a)** Explain what is meant by the market economy. [4]
- (b)** Explain the meaning of complements and substitutes, giving an example of each from the passage. [4]
- (c)** Identify **four** factors that might influence a worker's choice of occupation. [4]
- (d)** How far do you think the change in the provision of housing is likely to affect a worker's choice of occupation? [3]
- (e)** Discuss whether the change in the provision of housing is likely to benefit everybody. [5]

**Section B**

Answer **three** questions.

- 2** The most important status symbols for the emerging black middle class in South Africa are clothing and footwear, together with certain perfumes, hair-styles, cell-phones and household appliances. Some of these are expensive products that can be linked to a luxurious life style.
- (a) According to economic theory, what determines the demand for a product? [5]
  - (b) Discuss why different income groups have different spending patterns. [5]
  - (c) What is meant by price elasticity of demand? [5]
  - (d) Discuss why the price elasticity of demand for the items mentioned in the article might differ. [5]
- 3** Some car manufacturers are multi-national companies with plants in several countries. These plants produce thousands of cars a year and are capital-intensive.
- (a) Define the term 'capital-intensive'. [3]
  - (b) Why are some organisations capital-intensive and others labour-intensive? [7]
  - (c) Identify **three** possible advantages for the car manufacturer of establishing production in another country. [3]
  - (d) Discuss how an increase in car production through the establishment of a new plant might affect a country's Gross National Product. [7]
- 4** In 2001 it was announced that two German organisations responsible for training personnel were to merge to form a new organisation with a staff of 900. It was said that this would make the organisation more efficient.
- (a) Why might companies spend money on training to increase the skills of their workforce? [4]
  - (b) Discuss whether the provision of education and training should be the responsibility of the government. [6]
  - (c) Explain why a merger might make an organisation more efficient. [4]
  - (d) Explain whether you think large organisations are necessarily better organisations. [6]

- 5 The mining and export of minerals and precious stones is a very important part of the Namibian economy. It was reported that despite a sharp decrease in the quantity of these exports between 1995 and 1999 the export value of the items rose in that period.
- (a) Where would the minerals and precious stones be recorded in the Namibian balance of payments? [2]
  - (b) Discuss whether it is beneficial for a country to specialise in the production and export of a limited range of products. [8]
  - (c) The statement above says that the exports of minerals and precious stones decreased sharply yet the export value rose. How might this happen? [4]
  - (d) Discuss what measures a government might take to influence its country's balance of payments. [6]
- 6 Expenditure in an economy may be either private expenditure or public expenditure.
- (a) Explain the difference between these types of expenditure, giving **one** example of each. [3]
  - (b) Why might public expenditure fall if an economy comes to rely more on the market system? [3]
  - (c) Explain how public expenditure can be paid for. [8]
  - (d) Discuss, with examples, how decisions on public expenditure might illustrate the idea of opportunity cost. [6]
- 7
- (a) Describe what differences might be found in the standard of living of the average person in a developed country compared with an average person in a developing country. [6]
  - (b) If a country had good natural resources, would the standard of living of its population necessarily be high? [6]
  - (c) What policies might a government adopt in order to try to improve the standard of living in its country? [8]