

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ECONOMICS**

**0455/04**

Paper 4 Structured Questions

May/June 2004

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, music 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.

## Section A

Answer this question.

- 1 In Bangladesh there used to be a complete lack of access to health services in areas of poor housing, and residents did not have the time or money to seek out health care. In these areas one third of the population was affected by disease, and the child mortality rates were over ten times the national average. Now small health centres, staffed by volunteers, are being set up in these areas by a charity. The organisers say that these small centres have been a great success and have proved that it is possible to provide good services in poor areas.

Other health provision is being made for one million women working in the labour-intensive garment factories. Many workers have poor health because of long working hours and the physically demanding nature of the work. They cannot take time off to get treatment and they cannot afford private health care. The charity that set up the health centres went into partnership with the factory owners by convincing them that a healthy workforce was a productive one.

- (a) According to the article how do the working conditions of some workers affect their health? [2]
- (b) What is meant by 'labour-intensive' production? [2]
- (c) How far can it be concluded from the article that people living in the areas of poor housing have worse health than the rest of the country? [4]
- (d) Sometimes the government provides services in an economy, sometimes the private sector provides services. Explain why it is that the government provides some services. [6]
- (e) The article says 'a healthy workforce is a productive one.'
- (i) Explain what this means. [3]
- (ii) Should it usually be the responsibility of the employers rather than the government to provide health care? [3]

**Section B**

Answer **three** questions.

- 2 In Zimbabwe a local community markets a tea which grows wild in their area. 'Communities should be able to manage their natural resources if they are to benefit, especially if they are to gain an economic benefit,' the leader of the project said.
- (a) Identify the factors of production. [4]
  - (b) Explain what benefits might be gained by the local community in Zimbabwe from the project. [6]
  - (c) Tea is also grown and sold by large companies. Explain how this might affect the market for the local community's tea. [4]
  - (d) Discuss whether a community should always exploit rather than conserve its resources. [6]
- 3 The UK/Dutch consumer goods company Unilever had a 35% rise in profits in the first part of 2002. The group, whose brands include tea, soap and washing powder, benefited from a rise in profit margins, but the growth in sales was slow.
- (a) Explain who might benefit from the rise in profits. [4]
  - (b) Discuss how firms might achieve a rise in profits. [6]
  - (c) Explain what is meant by a high price elasticity of demand. [4]
  - (d) Consider whether the price elasticity for soap is likely to be high or low. [6]
- 4
- (a) What is meant by a retail price index? [3]
  - (b) Explain how a retail price index is calculated. [7]
  - (c) Discuss the possible causes of inflation. [10]
- 5 Demand for UK exports dropped considerably in November 2002, which pushed the UK further into a visible trade deficit – the largest since records began.
- (a) Explain what is meant by a visible trade deficit and identify in which part of the balance of payments the deficit would be recorded. [3]
  - (b) Discuss whether it matters if a country has a visible trade deficit. [7]
  - (c) Describe what policies a government might use if it wished to bring a visible trade deficit into surplus. [4]
  - (d) Discuss the other consequences of pursuing **two** of the policies you have mentioned. [6]

- 6 It was reported that in a country the poorest households spent 30% of their income on food, while the richest households spent 13% of food.
- (a) Do these figures mean that the actual amount that the richest households spent on food was lower than that spent by the poorest households? Explain your answer. [4]
  - (b) Ali has started his first job. Faizal is now in a senior position in her company. Describe how the expenditure pattern of these two people might be different. [4]
  - (c) Analyse the motives that might cause a person to save rather than to spend. [6]
  - (d) What might be the result of a general increase in the level of consumers' spending in an economy? [6]
- 7
- (a) Contrast the occupational distribution of the population of a developing country with that of a developed country. [5]
  - (b) Apart from the occupational distribution of the population, explain why a country might be classified as developing rather than developed. [8]
  - (c) Multi-national companies invest in developing countries. Explain what is meant by a multi-national company and discuss whether it is advantageous for a developing country to accept investment by multi-national companies. [7]

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