

International General Certificate of Secondary Education
UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS SYNDICATE
ECONOMICS **0455/4**
PAPER 4 Structured Questions
MAY/JUNE SESSION 2000 2 hours

Additional materials:
Answer paper

TIME 2 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper/ answer booklet.

Answer Question **1** (Section A) and any **three** questions from Section B.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

This question paper consists of 4 printed pages.

Section A

Answer this question.

- 1 The table shows the comparative economic performance of five countries between 1979 and 1986.

Comparative economic performance, 1979–86

	West Germany	France	Italy	USA	Japan
Increase in GDP (%)					
1979–81	+1.5	+1.5	+4.0	+1.6	+8.0
1981–86	+9.0	+8.5	+7.8	+13.8	+19.6
Unemployment as a percentage of the labour force					
1979	3.3	5.9	7.6	5.8	2.1
1981	4.4	7.3	8.3	7.5	2.2
1986	8.5	10.4	11.0	7.0	2.8
Inflation (% per annum)					
1979	4.1	10.8	14.8	11.3	3.6
1986	-0.3	2.6	5.8	2.0	0.4

- (a) (i) Identify which country had the largest percentage increase in GDP between 1979 and 1986. [1]
- (ii) Why is it important for GDP to grow? [4]
- (b) (i) Identify the country that had a different trend in unemployment from the other countries. [1]
- (ii) Does the table suggest that unemployment declines if GDP increases? [4]
- (c) (i) Which of these countries experienced a fall in the price level? [1]
- (ii) Does the table suggest that there is a relationship between the change in the rate of inflation and the percentage of the labour force unemployed? [4]
- (d) Explain which country you think has had the best economic performance between 1979 and 1986. [5]

Section B

Answer **three** questions.

- 2** Azerbaijan was one of the world's first great oil suppliers, producing 51% of the world's oil at the beginning of the 20th Century. In recent years, oil production has been falling, and many of its oil fields have become exhausted. The most important task, therefore, is to develop other sectors so the economy becomes more diversified.
- (a) (i) Would oil supply be in the primary, secondary or service sector? [1]
(ii) Give one other example of an industry in the same sector as oil production. [1]
- (b) Draw a demand and supply diagram to show what has happened to oil supply in Azerbaijan in recent years. [4]
- (c) What may happen in the market for a substitute product if the supply of a necessity such as oil becomes exhausted? [4]
- (d) Explain with examples what is meant by specialisation and diversification. [4]
- (e) How far is it advantageous for a country to specialise in the production of one commodity? [6]
- 3** (a) A person's choice of occupation may be influenced by non-wage factors. Explain, using two examples, the meaning of non-wage factors. [3]
- (b) Why are there differences in earnings between different occupations? [7]
- (c) Identify an occupation where it is possible that earnings have increased faster than the average, and explain why this might have occurred. [4]
- (d) What motives might influence the way a person decides to allocate income between spending and saving? [6]
- 4** The increase in international travel means that new airports are needed. Airports bring extra employment and income to a region. However, there is usually a protest about the building of the airport by people who say that it will result in the area being spoiled and will cause house prices to fall.
- (a) Define opportunity cost, and explain how the building of an airport might be used to illustrate opportunity cost. [6]
- (b) What benefits to the economy might be obtained from the building of a large project such as an airport? [4]
- (c) Explain the concepts of social costs and social benefits. [4]
- (d) Why are governments often involved in decisions about the building of major projects such as airports? [6]

- 5 In Egypt, population growth of around 2% each year increases the overcrowding in urban areas. 12% of the population live in Cairo, the largest city in Africa.
- (a) Identify the factors that affect the rate of growth of a population. [3]
 - (b) What differences in the age structure of the population would you expect to find between a developing country, such as Egypt, and a developed country? [7]
 - (c) Is overcrowding more likely to be a problem in a developing country or a developed country? [6]
 - (d) Discuss how a large increase in the birth rate might influence the pattern of government expenditure. [4]
- 6 Some governments impose tariffs and quotas on imports.
- (a) Distinguish between tariffs and quotas. [3]
 - (b) What effect might a tariff on imports have in the country that imposed the tariff? [7]
 - (c) Discuss what might happen if free trade between countries were established and tariffs and quotas were abolished. [10]
- 7
- (a) Explain whether labour costs are a fixed or a variable cost. [4]
 - (b) The average hourly wage rate in Portugal is less than that in Germany but the goods produced are not necessarily cheaper. What might explain this? [6]
 - (c) Discuss what determines the standard of living in a country and assess whether the lower wages in Portugal necessarily mean that the standard of living is lower in Portugal than in Germany. [10]