UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS	**0455/04**
Paper 4 Structured Questions	**May/June 2008**
	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.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A
Answer Question 1.
Section B
Answer any **three** questions.

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.

UNIVERSITY *of* CAMBRIDGE
International Examinations

[Turn over

Section A

Answer this question.

1   **UK railway operation**

GNER is one of a number of companies that operate trains in the UK. GNER was formed in 1996 when the national rail company was privatised. GNER states that:

-   it carried 40 % more passengers in 2005 than in 1996;
-   in 2005, 10 % of the passengers bought tickets that were cheaper in real terms than the cheapest available in 1996;
-   from each £1 of revenue, 50 % goes towards track costs and government charges, 46 % goes on operating costs and less than 4 % is profit;
-   it subsidises the less profitable parts of some of the other UK railway companies by the money it pays to the government;
-   since 1996 the company has faced increasingly fierce competition from domestic airlines, car and coach travel.

(a) Explain what is meant by a substitute good and identify an example from the information.   [2]

(b) From the information given, was it cheaper to travel by train in 2005 than in 1996?   [4]

(c) Explain what is meant by a fixed cost and analyse whether in 2005 the fixed cost of every journey on GNER was higher than the variable cost.   [4]

(d) Explain what GNER means when it says it 'subsidises the less profitable parts of some of the other UK railway companies'.   [2]

(e) Discuss whether it can be concluded from the information that GNER's profits are likely to have risen by 40 % between 1996 and 2005.   [8]

Section B

Answer any **three** questions.

2 **(a)** Explain what is meant by a trade union and describe its functions. [5]

(b) Trade unions are not often found in small enterprises. How significant might this be as a factor which influences someone in choosing to work for a small enterprise? [5]

(c) Why do small enterprises continue to exist as an economy develops and expands? [4]

(d) Discuss the effect that the activities of a trade union might have on an economy. [6]

3 In Ghana local farmers manage small plots of land for subsistence farming. However, some have benefited by selling pineapples at an agreed, fixed price to an exporter. The exporter provides finance, training, fertilizers and machinery and even building materials for the farmers' homes.

(a) Identify and explain which factors of production are mentioned above. [4]

(b) In 2005, European supermarkets changed their demand to a new, sweeter pineapple not grown in Ghana. Use demand and supply diagrams to explain what happened in the market for both types of pineapple. [6]

(c) Explain why farmers might benefit from an agreed, fixed price. [3]

(d) The Ghanaian Government has launched an Action Plan to provide farmers with more finance, better transport and storage facilities to help them compete. Discuss whether governments should always subsidise the production of goods and services. [7]

4 It is stated that the richest households in a country spend under 15 % of their income on food while the poorest households spend over 30 %.

(a) Do these figures mean that the actual amount spent on food by the richest households is lower than that spent by the poorest households? Explain your answer. [4]

(b) Daniel recently finished training to be a dentist and started his first job. Samira works in a bank and is now in a senior position. Describe how the expenditure pattern of these two people might be different. [6]

(c) What might be the result of a general increase in the level of consumer spending in an economy? [4]

(d) Analyse why earnings might vary between different occupations. [6]

5 **(a)** Using examples, describe the difference between direct and indirect taxes. [4]

(b) How might a reduction in taxation help any **two** macro-economic aims of a government? [6]

(c) Why might a government wish to increase employment opportunities? [5]

(d) Discuss what might be the consequences of unemployment. [5]

6 **(a)** Explain what is meant by specialisation and in what circumstances it might occur. [5]

(b) Some countries use measures to protect home industries. Describe how **three** of these measures work. [6]

(c) Explain, with the use of **one** example, what is meant by a natural resource of a country. [3]

(d) For many countries international trade involves using their natural resources to sell to other countries. Discuss whether it is wise for a country to use (exploit) its natural resources rather than conserve them. [6]

7 **(a)** Identify **three** indicators that might be used to compare the standard of living between countries and consider which, if any, is the most reliable. [6]

(b) It is often presumed that there is greater poverty and a lower standard of living in developing countries compared with developed countries. Discuss whether this is always true. [6]

(c) Discuss how the standard of living in a developing country might be improved. [8]