



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**ECONOMICS**

**0455/04**

Paper 4 Structured Questions

**October/November 2007**

**2 hours**

Additional Materials:      Answer Booklet/Paper

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**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.

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This document consists of **4** printed pages.



## Section A

Answer this question.

1

### The Royal Mail

The following is adapted from a leaflet the UK Royal Mail sent to its customers in 2005.

We are investing in the postal service so that it is consistent and reliable and remains one of the best in Europe. You can trust the Royal Mail with your post. 99.9 % of all mail gets delivered safely and quickly to the right address. Sometimes letters have the incorrect address or no address at all. At least 92.5 % of the First Class letters arrive by lunchtime the next working day. (In France barely 80 % of the First Class mail is delivered on time.) We are determined to manage this better and are investing in technology and training.

Our prices are rising by less than inflation and are amongst the lowest in Europe. In April the price of First Class post will go up from £0.28 to £0.30 which compares well with a price of £0.26 ten years ago. In Italy First Class could cost you £1.12, in Germany up to £1.

There will now be only one delivery a day. Previously, when mail was sorted by hand, it was impossible to sort and deliver it all at once. Now, more mail is sorted automatically and overnight. A single delivery helps us to keep our costs down. We need to make profits so that we can invest in better equipment, better technology and better offices, and also pay our staff more for doing a responsible job.

- (a) Explain what is meant by factors of production. [4]
- (b) How has the Royal Mail's use of these factors of production changed? [2]
- (c) Explain how the proposed new investment will change the Royal Mail's fixed cost and variable cost. [4]
- (d) Discuss how the rise in price from £0.28 to £0.30 might affect demand for substitute methods of communication. [4]
- (e) Is there enough evidence in the article to support the Royal Mail's statement that it is one of the best in Europe? [6]

## Section B

Answer **three** questions from this section.

- 2 A multi-national was described as a large company that employs people from different countries and is controlled by a government.

(a) Explain whether this is a correct description. [4]

(b) If a company is large and employs many people it often has to deal with trade unions. What is a trade union and what is its role in an economy? [6]

(c) How might a company become large? [4]

(d) Multi-national car companies are sometimes said to have economies of scale. Analyse what this means for such companies. [6]

- 3 (a) Explain how the principle of opportunity cost might be relevant when a person chooses a new job. [3]

(b) Some service sector occupations pay very well, others have low rates of pay. Discuss why this might be so. [7]

People often borrow by using a credit card. This notice was issued by a credit card company: 'For the next four months the interest rate charged on outstanding amounts has been reduced to the equivalent of 1.9 % per year.'

(c) Explain what motives people have for saving rather than spending. [4]

(d) How might a reduction in interest rates on credit card borrowing affect the way that people choose to save or spend? [6]

- 4 1 in 5 adults have not been educated to read or write; 98 % of them live in developing countries and 66 % of them are women.

(a) Explain **three** other differences that you might find between the population of a developed country and a developing country. [3]

(b) Another indicator of living standards, apart from education, is GDP. Discuss how useful this is in comparing the living standards between two countries. [7]

(c) Explain **two** reasons why education in a developing country is often provided by the public sector. [4]

(d) Discuss what effect investment in the education system might have in a developing country. [6]

- 5** It was reported that farmers in Malawi were being discouraged from specialising in growing the staple crop of maize. Instead they were encouraged to diversify into other crops.
- (a)** Explain what is meant by specialisation. [4]
  - (b)** Discuss whether there are any benefits from specialisation rather than diversification. [6]
  - (c)** Distinguish, with examples, between the primary, secondary and tertiary sectors of the economy. [3]
  - (d)** As countries develop they often rely less on exports of agricultural products and more on exports from other sectors. Discuss the possible benefits of this. [7]
- 6** In recent years many countries have put greater emphasis on the market system and less emphasis on trade protection.
- (a)** Explain what is meant by a market system. [4]
  - (b)** Discuss the advantages and disadvantages of placing a greater emphasis on the market system. [8]
  - (c)** Discuss whether countries should use trade protection. [8]
- 7** Three government policy aims are the redistribution of income, economic growth and price stability.
- (a)** Explain what these aims mean. [6]
  - (b)** What might a government do to try to redistribute income? [6]
  - (c)** How might a government affect economic growth in a country? [8]

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Question 1

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