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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Advanced Level

ECONOMICS **9708/04**

Paper 4 Data Response and Essay (Supplement) **May/June 2007**

2 hours 15 minutes

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 **two** questions.
You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

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 **3** printed pages and **1** blank page.

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Section A

Answer this question.

1 **Employment in Turkey**

A large proportion of the work that women do in Turkey consists of traditional activities and is unpaid. Of those Turkish women who are in employment, 72% work in agriculture (compared with a world average of 49%). In total, Turkey's agricultural sector still employs 48% of the workforce (compared with 17% in the US and 3.9% in France).

In Turkey, the greatest social inequality between the sexes lies in the level of education. 26% of the women are illiterate, compared with 7.5% of the men. There is mass migration to cities, which offer more jobs and services, but the less educated women are not able to take up these opportunities.

There are more non-industrial jobs than industrial jobs in the cities and as many as 66% of all lower-class urban families depend on non-industrial, unskilled work for their livelihood.

Turkey continues to face economic challenges including a large informal economy, large income inequalities, a large inefficient government sector, and relatively high unemployment. Birth rates and death rates are declining. The age structure, in which there are many young people, will continue to cause difficulties in the labour market as young people become old enough to seek jobs. Since 1970 the population of Europe has multiplied by 1.2 but in Turkey it has multiplied by 2.5. Many Turkish people seek work in other countries where they think the job opportunities are better.

Table 1 Economic data about Turkey

% of GDP from agriculture	11.7
% of GDP from industrial sector	29.8
% of GDP from service sector	58.5

% of population below poverty line	20
% of population living on under US $2 a day	18

	1999	2000	2001	2002	2003
% Unemployment rate	7.6	6.6	8.5	10.4	9.0

(a) Explain what is meant by GDP. [3]

(b) From the information give **two** reasons why Turkey's GDP is lower than it could be. [2]

(c) Name **three** influences on the supply of labour. [3]

(d) How might labour migration to the cities affect GDP? [4]

(e) Discuss whether there is sufficient evidence in the extract to indicate that Turkey should be classified as a developing country. [8]

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Section B

Answer **two** questions from this section.

2 **(a)** Explain what is meant by productive and allocative efficiency. [12]

(b) The decision to privatise Kenya Railways and Uganda Railways has met with interest among international rail operators as it is thought that profits could be made and current commercial losses could be avoided.

Discuss how the privatisation of an industry might affect efficiency in the allocation of resources. [13]

3 **(a)** Explain how the analysis of wage determination in perfect competition leads to an equilibrium. [12]

(b) Discuss how governments and trade unions can affect the equilibrium in a labour market. [13]

4 Some people say they are better off living in a rural area, where there is less congestion and pollution. Others prefer cities for the employment and the variety of leisure activities available.

If there are such differences of opinion of living standards in one country, is there ever any chance of accurately comparing living standards between countries? [25]

5 In 2004 the US Federal Budget deficit rose to a record $412 billion.

(a) Budget deficits are affected by fiscal policy. Explain how multiplier analysis might be used to predict the effects of changes in fiscal policy. [12]

(b) Discuss whether a budget deficit should necessarily be a source of concern. [13]

6 These statements come from the same journal article:

> World population has grown to 6.5 billion, with an increase of more than 4 billion since 1950. The number of people starving has increased in the last 10 years. 31.6% of the urban population live in slums and 42 countries face food emergencies.
>
> Urbanisation could be a solution to poverty, disease and malnutrition owing to economies of scale that arise.
>
> Source: *Royal Society of Arts Journal*, August 2005

(a) Explain whether the growth of population is likely to have been faster in developing countries than in developed countries. [10]

(b) Discuss whether you agree with the idea that urbanisation necessarily produces economies of scale and is, therefore, a solution to poverty. [15]

7 How far do you agree with the proposition that the main aims of economic government policy should be low unemployment and low tax rates? [25]

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