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CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Level

ECONOMICS **9708/04**

Paper 4 Data Response and Essays (Supplement)

October/November 2003

2 hours 15 minutes

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 on both sides of the paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer Question 1 and any **two** 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.

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

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

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Section A

Answer this question.

1 The following information relates to Singapore's economic recession of 2001.

20 000 workers to lose their jobs

About 20 000 workers may lose their jobs in 2001, nearly double the number who lost jobs last year. They will be hit by the economic downturn and the restructuring in some sectors. The figure is below that of 29 000 which occurred during the crisis of 1998. Job vacancies fell in the last year. For every 76 jobs available, there were 100 people seeking work. The entry of new graduates into the job market worsened the situation.

Straits Times 14.7.01

Government package of measures to help businesses, workers and jobs

The recession in the economy has been caused by a fall in external demand, and not an erosion of Singapore's cost competitiveness. Therefore, any big boost in government spending would not help companies increase their business when all their major markets are declining because growth in the United States, Japan and Europe has slowed sharply. Instead, a major package of government measures is intended to focus on helping companies to reduce costs and boost the job prospects of the workers. One of the aims of the measures is to help workers, especially the older and the less educated, to keep their jobs or retrain to find new jobs. Companies will be given financial incentives to recruit older workers and provide training programmes. The amount of money the government is prepared to spend on this package is equivalent to about 1.4% of the country's GDP.

The Straits Times. 28.7.01

Table 1. Tax receipts of the Singapore government

	January to May 2000 (S$ million)	January to May 2001 (S$ million)	% change
Income tax	4360	4760	+9 *
Property tax**	610	1010	+66
Indirect tax on goods & services	1100	950	–14
Betting, lotteries	600	740	+24
Stamp duty on property	590	345	–42
Estate duty	37	46	+24
Total	7297	7851	+7.5 ***

Notes
*The increase in income tax for the same period 1999-2000 was 40%
**There was an increase in property tax in 2001.
*** The increase for the same period 1999-2000 was 35%.

Straits Times 28.7.01

(a) Illustrate, using a demand and supply diagram, what happened in the market for labour in Singapore in 2001. [2]

(b) Identify and explain what is said to be the cause of Singapore's recession. [2]

(c) Explain briefly how an increase in government spending on public projects might help an economic recovery. [5]

(d) Assess whether the evidence in Table 1 and its footnotes completely supports the statement that there is a recession in the Singapore economy. [5]

(e) Discuss the usefulness of the measures proposed by the government as a remedy for the economic recession. [6]

Section B

Answer **two** questions from this section.

2 In 2001 in the UK a widespread disease among cattle and sheep closed off large parts of the countryside. The government decided to give aid to agriculture but not to tourism, both of which were badly affected. Comment on the government's actions in terms of allocative efficiency and equity. [25]

3 In some economies in 2001 there was a decline in the number of people travelling by air. Unemployment increased as many people lost their jobs in hotels, airline companies and tourist-related industries. Similar jobs in other industries were advertised at reduced wage rates.

(a) Explain the different types of unemployment and suggest which type the above unemployment might be. [10]

(b) Discuss how far economic analysis is of use in explaining the change in wage rates mentioned above. [15]

4 Sony, the Japanese company, is involved in insurance and on-line banking as well as computers, electronics, and computer games.

(a) Explain why a company might wish to produce a diverse range of products rather than specialise. [10]

(b) Sony is a large company that can influence the price of its products. Discuss whether imperfect market structures which allow such companies are beneficial. [15]

5 **(a)** What distinguishes a developing country from a developed country? [10]

(b) Do you agree that if a developing country becomes a developed country the problems that face its population are solved? [15]

6 **(a)** Distinguish between monetary policy and fiscal policy. [12]

(b) Discuss how monetary policy might be used by a government in a time of inflation. [13]

7 How reliable are national income statistics as a means of comparing living standards between countries? [25]

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Question 1 The Straits Times

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