



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Advanced Level

ECONOMICS

9708/41

Paper 4 Data Response and Essays (Supplement)

October/November 2009

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.

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.



Section A

Answer this question.

1

Counting the Cost

India has transformed itself from a primarily agricultural economy into a major industrial one in less than 60 years. Some argue that industrialisation results in increased wealth and a better standard of living. Certain areas of India are better suited to this industrialisation than others. The state of Orissa is one.

Orissa is a state of contrasts – 48 % of its people live below the poverty line; it is the most heavily indebted Indian state; its literacy level is below the national average; the level of infectious disease is high and malnutrition is alarming; it is subject to natural disasters such as floods. But it has unrivalled natural resources including one of Asia's largest deposits of coal, large areas of forest and extensive mineral reserves. These attract big industrial companies. A new steel plant has been established which will produce six million tonnes of steel a year.

In Orissa, a balance has to be achieved between potential profits and benefits from industrialisation and its cost to the people and the environment. The steel company is recruiting from local engineering colleges and is able to offer employment and new opportunities. People have increased incomes. Farm workers earn less than half what the factory pays its workers. One worker said 'I used to work on the land and was at the mercy of the weather. Now I do not have to pray for rain. The company also employs my sons and we are much better off'.

However, the factory is not labour-intensive and is unlikely to employ the huge numbers of people seeking work. Also, mining and infrastructure development destroyed some of the forest. Industrial production results in soil erosion and pollutes the air with the dark smoke from factory chimneys which causes acid rain. The rivers have also become contaminated with toxic waste which is posing a threat to wildlife, such as elephants, tigers and deer, as well as to local people. The industrialisation meant that some people lost their homes and had to be resettled elsewhere. The new houses had safe water provision and drainage, unlike some of the original homes, but people complained about the poor way the houses were built. In 2007, 13 were killed during a protest about the lack of compensation for the loss of their homes.

- (a) What is meant by industrialisation? [2]
- (b) Why might some argue that the economic costs of the exploitation of the natural resources in Orissa are too high? [5]
- (c) Comment on whether the development of the steel plant is likely to have been a benefit for the workers in Orissa. [5]
- (d) It is said that the standard of living in Orissa continues to be very low. Discuss whether the evidence you have been given is sufficient to support this view. [8]

Section B

Answer any **two** questions from this section.

- 2 There has been much discussion recently about the effect of climate change and the efficient use of economic resources. Discuss whether the efficient allocation of resources can be achieved only if governments are involved in the process. [25]
- 3 BG is a rapidly growing energy company with operations in 25 countries engaged in the exploration, production and distribution of natural gas and oil. This requires complex chains of physical infrastructure, major investment funds and detailed commercial agreements with different countries.
- (a) Explain why economies of scale might be significant in an industry such as gas supply. [12]
- (b) Discuss whether companies that supply energy are likely to operate in contestable markets. [13]
- 4 Workers in the public sector are sometimes paid less than workers in the private sector. Discuss why wage rates differ. [25]
- 5 Some Japanese economists have argued that higher interest rates would, unusually, improve Japan's economic growth.
- (a) Explain why it might be said that this link between interest rates and economic growth is unusual. [12]
- (b) Discuss whether economic growth is good for an economy. [13]
- 6 'There is no point in calculating figures for GNP. They are never an accurate estimate of welfare, and people are more concerned about crime, pollution and health than GNP.'
- Do you agree with this argument? [25]
- 7 (a) Explain what distinguishes a developing country from a developed country. [12]
- (b) When a country achieves 'developed' status does this mean that it has solved all its economic problems? [13]

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Question 1 *Developments*, p.25, Issue 38, Department for International Development, 2007

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