



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Advanced Level

THINKING SKILLS

9694/42

Paper 4 Applied Reasoning

October/November 2012

1 hour 30 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.

Do not use staples, paper clips, highlighters, glue or correction fluid.

DO NOT WRITE ON ANY BARCODES.

Answer **all** the questions.

Start each question on a new answer sheet.

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.

This document consists of **7** printed pages and **1** blank page.



1 Study the information and answer the questions that follow.

High blood cholesterol is a major cause of heart disease. In the 1980s, research suggested that supplementing your diet with oat bran may help to lower cholesterol levels more than wheat bran, which was previously seen as the healthy choice. The media publicised these findings, and soon people were consuming all kinds of oat bran foods, whether they liked them or not.

Research Group A

In 1990, an article was published in a prestigious medical journal, which concluded that oat bran had only about the same cholesterol-lowering effect as wheat bran. The study was undertaken by subjecting 20 volunteers, many of them young, healthy dieticians with low or healthy cholesterol levels, to a controlled diet of oat bran.

The media widely publicised the conclusion as assured results, and the implication that the public had nothing to gain by preferring oat bran to wheat bran was widely believed. However, many medical professionals were not convinced by Group A's results.

Research Group B

A series of 10 trials was then undertaken by researchers of Group B. Their sampling consisted of 84 middle-aged volunteers with borderline to high initial cholesterol levels. They were given randomised diets of wheat bran or oat bran ranging from 6 g to 16 g daily. Results showed that there was a 5% decrease in cholesterol in the oat bran group, beyond the decrease shown by the wheat bran group.

(a) Make **three** criticisms of the study as reported by research Group A. [3]

(b) Based on the information from both research studies, draw **one** precise, credible inference about the effects of oat bran on cholesterol levels that would be consistent with both studies. [2]

Questions 2, 3 and 4 refer to Documents 1 to 5.

2 Briefly analyse Dada's argument in Document 1: *Miserable failure*, by identifying its main conclusion and main reasons, as well as any intermediate conclusions and counter-arguments. [6]

3 Give a critical evaluation of CAP's argument in Document 2: *The solution to poverty*, by identifying and explaining strengths, weaknesses, implicit assumptions and flaws. [9]

4 'Capitalism is the best economic system.'

To what extent do you agree with this statement? Construct a well-reasoned argument in support of your view, commenting critically on some or all of Documents 1 to 5, and introducing ideas of your own. [30]

DOCUMENT 1**Miserable failure**

If you did a search on Google, a few years ago, using the words “miserable failure”, the first search result you would see would be George Bush’s official presidential site. Maybe a more relevant result for a “miserable failure” search would be to find the Wikipedia page on capitalism.

Despite all the euphoria of 1990, when communism fell and capitalism was anointed the winner of the Cold War, a hard look at the economic and social condition of the world today reveals that capitalism has failed to provide the people of this planet with a good life. Of the world’s six billion people, half of them live on two dollars a day or less. While people die from diseases related to overeating in the so-called developed countries, children die of malnutrition elsewhere on this small planet.

Apologists for capitalism have always said that it was just a question of the developing countries acquiring democracy, free-market economic systems, and some old-fashioned hard work, and then they too would enjoy the good life like the citizens of Europe and North America. But the long awaited take-off for the economies of the poorest countries seems nowhere in sight. In these countries capitalism is a clear failure, but what about in the developed world – surely capitalism is successful there?

A few years ago one could have argued that capitalism has succeeded in the industrialised countries of the northern hemisphere. But even in these countries with high per capita income there were and still are tremendous disparities. Under capitalism, wealth is not evenly distributed, and even in the USA 25% of the people live below the poverty line. Can we really say that we have an ideal or even a functioning economic system when millions of people are struggling just to survive?

The recent global financial crisis underscores the inequality, fragility and unpredictable future of the capitalist economic system. While the US government bails out banks and financial institutions that have failed due to their reckless greed, no one is there to save the thousands of ordinary people who have lost their homes and life savings.

It’s time to take a stark look at capitalism and shout down the politicians who continue to shamelessly chant that the fundamentals of this economic system are sound. The fundamental premise of this system – that the unlimited accumulation of wealth by a few individuals will result in the good of everybody – is a clear lie and the sooner that we face up to this, the better off we will be.

Dada

DOCUMENT 2

The solution to poverty

You ask what is the solution to poverty? Here's my answer – capitalism. Every individual capable of rational thinking ought to be able to see that there is no alternative for lifting the masses out of poverty.

Far from being a cause of poverty, laissez-faire* capitalism is the only way to solve it. Somebody has to create wealth and get rich in order to help the poor. Capitalism did not create poverty, but inherited it. The poor do not need government hand-outs; but they need the governments off their backs and most importantly off the backs of those who can help them – the rich. The rich need the poor as a work force to create wealth, just as the poor need the rich to get out of poverty. The freedom that a rich man needs to maintain and add to his wealth is the same freedom a poor man needs to create his wealth. So reason demands that the state gives complete freedom to the entrepreneur of capitalism, and banishes control from all social relationships.

Yet this is precisely the freedom the 'humanitarian' does not wish to give those who advocate capitalism. This is because if this right to freedom and liberty is granted to those who wish to prosper, the humanitarian loses power. These humanitarians who claim to help the poor, but oppose capitalism, do not really have the interests of the poor in mind.

Who would you say the poor are better off under? A nun, such as Mother Theresa, who hands them bowls of slop everyday, so they can barely exist; or a genius like Bill Gates, who creates a fortune for himself by helping others create fortunes for themselves? Where the first feeds them for a day, the second helps them feed themselves.

Since all men are free to create wealth under capitalism, no-one is forced into poverty, as in non-capitalist countries. In a capitalist country, the only poor are those who choose to remain so of their own free will (such as many of the 'back to nature' types who wish to live like hippies).

Keep in mind that the moral justification of capitalism is not that it serves the needs of the many, but that it protects the right of the individual. Capitalism is not egalitarian, nor compassionate; capitalism is just, for it protects the individual against the majority.

The few individuals in a capitalist society who are incapable of taking care of themselves, such as the mentally ill, crippled and orphans, can be provided for voluntarily by those who have the means and the mind to help them.

CAP

* laissez-faire: Government policy of non-interference in the free market.

DOCUMENT 3**The Chinese model – in 2006**

Abridged from Prospect Magazine (UK), January 2007

It is predicted that China will be the world's largest economy by the middle of this century if not before. As China is not a democracy, if it takes its place at the top table the global order will bow to despotism, and the international system of governance based on rule of law will be set back.

But for this to be true we have to suppose that China's growth rate will continue and the country will remain communist. However, I doubt if either of these propositions is true.

China cannot sustain its current model very much longer. China occupies a half-way house between socialism and capitalism. The communist party has permitted free movement of prices, and encourages profit-seeking and thrusts into the free market. China's economic growth is based on the State channelling vast underpriced savings into huge investment projects driven by cheap labour. Besides, every year China acquires \$200 billion of foreign exchange reserves, mainly dollars, in order to rig its currency to keep its exports competitive. It is absurd for a poor country like China to be lending to a rich one like the US; in fact, it is unsustainable and financial markets seem to agree. Everything in China is subject to the Party. Chinese consumers need to save less and spend more, but China does not have the tools of Enlightenment infrastructure to transform itself into a democracy in order to sustain capitalism.

We need not frighten ourselves about China's rise. We need to be confident about Western values and processes and strengthen them at home and abroad. We should be confident that China will only be able to truly compete with the West if it becomes more like us.

Will Hutton

(Author, and Principal of Hertford College, Oxford)

The Chinese model – in 2009

Abridged from Foreign Affairs magazine (US), July 2009

It is now clear that the global economic crisis will be deep and prolonged and will have far-reaching geopolitical consequences. The era of the Anglo-Saxon model of free-market capitalism is coming to an end. The long-standing wisdom that everyone wins in a single world market has been undermined. Globalisation is in retreat, both in concept and practice. Much of the world now sees it as harmful.

The one clear winner is China, whose unique political-economic model has come through unscathed. And measured by its estimated \$2.3 trillion in financial reserves it is the world's wealthiest country. This has allowed China to direct a recent surge in lending for stimulus purposes. Beijing's unique capitalist-communist model appears to be helping China through this crisis effectively.

All of this is enhancing China's geopolitical standing. The West is experiencing a severe economic crisis, seen as of its own making, whereas China is not. China's astute leadership has recently been making offshore investments in natural resources of a kind that others no longer can make – such as securing future oil supplies from Russia and Venezuela.

All this makes it increasingly clear that a US-China relationship is going to be the most important in the world.

Roger C. Altman

(Former US Deputy Treasury Secretary)

DOCUMENT 4

Save capitalism

There is a clear implication today in the US that socialism is an alien and unworkable philosophy that, if unchecked, will destroy America's free market system, which has been responsible for our historic prosperity.

One reason for the confusion is that many Americans do not understand the key differences between capitalism, communism and socialism. Socialism, as practiced by most nations of the developed world, is a hybrid economic system that combines some features of communism and capitalism. Private enterprise and personal incentives co-exist with government regulation, subsidies and a humane 'safety net' for the disadvantaged.

In the late 19th century, the so-called robber barons, including Carnegie, Rockefeller, Vanderbilt and Morgan, had developed monopolistic strangleholds over the steel, oil, railroad and banking industries respectively. They made a mockery of democracy by using their wealth to gain control of most state governments and the federal government.

Historically, in the late 19th and early 20th centuries, Americans turned to neo-socialism to rescue some measures of economic and political freedom. The Federal Trade Commission, established in 1913, was used as recently as the 1970s to break up a telecoms giant. Ironically, the socialistic concept of government regulation can be used to preserve competition, a key component of capitalism. The 2008 bank bailout was but the latest chapter in government intervention in banking.

The Roosevelt New Deal of the 1930s, the National Labor Relations Act, legalising labour unions, and the Fair Labor Standards Act, establishing the minimum wage, were deliberate attempts to redistribute income. Ironically, these socialistic measures increased purchasing power, thus benefiting privately owned businesses.

Since the creation of Medicare and Medicaid in 1965, elderly and low-income Americans have had health care programs funded and administered by the government. The Children's Health Insurance Program has existed for decades. Since 1935, Social Security has provided retirement income. The Federal Housing Administration and the Department of Housing and Urban Development have long provided subsidised housing for low-income Americans. These government programs are only some of many classic examples of a socialist safety net.

Thus America has had a neo-socialistic economy for more than a century. Now, in the midst of another major depression, Americans should not be deluded into believing that the illusory free market is a panacea for solving future economic problems. Neo-socialism may be the only way to preserve the remaining features of capitalism.

Robert J. Fisher

(Adjunct Professor of American History at Northampton Community College and Desales University)

August 2009

DOCUMENT 5**Causes of hunger are related to poverty**

- Over 9 million people die worldwide each year because of hunger and malnutrition. 5 million are children.
- Approximately 1.2 billion people suffer from hunger (deficiency of calories and protein).
- Some 2–3.5 billion people have deficiency of vitamins and minerals, yet some 1.2 billion suffer from obesity.
- In the United Kingdom, a shocking 30–40% of all food is never eaten.
- Overall, \$38 billion worth of food is thrown away every year.
- In the US 40–50% of all food ready for harvest never gets eaten.
- The impact of this waste is not just financial; it leads to more rotting food, creating more methane, one of the most harmful greenhouse gases that contributes to climate change.
- The direct medical cost of hunger and malnutrition is estimated at \$30 billion each year.

Global Issues

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Document 2 © ADAPTED: <http://capitalism.org/category/poverty/>.
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Document 4 © ADAPTED: Robert J Fisher; *'Neo-socialism' may be only way to save capitalism*; http://articles.mcall.com/2009-08-30/news/4432603_1_socialism-capitalism-robber-barons/2.
Document 5 © ADAPTED: Anup Shah; <http://www.globalissues.org/article/7/causes-of-hunger-are-related-to-poverty>; July 2008.

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