UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays (Supplement) **October/November 2012**

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.

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Section A

Answer this question.

1 Income from migrant workers

The recent financial crisis has slowed down economic growth worldwide but the number of migrants seeking work in another country is still increasing. One reason for this is that the countries from which workers leave may have experienced a severe recession making workers willing to travel abroad to do unpopular jobs that others avoid. A further reason is that many migrants move to join other members of their family which helps explain why migration, once established, is hard to reverse.

Workers going abroad are particularly important for the Philippines, where 25% of the labour force work overseas. Doctors go abroad to work as nurses; teachers go to work as housemaids. In addition, local centres train workers to enable overseas work. For example, workers train to clean cabins on cruise ships in the hope that they will be able to earn four times the local wage for cleaning. The workers send money home (migrant remittances) to support their families. This money can provide food, clothing, housing, pay for educational expenses or for investment in small enterprises.

Migrant remittances could become even more important to a country because experts predict that aid and foreign direct investment in developing countries could be halved as a result of the 2009–2010 financial crisis.

There is a debate about the use of migrant labour. For employers, there is an advantage in employing cheap foreign labour in order to reduce costs. However, the consequence of using foreign labour is that domestic workers are being replaced. There is also little or no incentive for manufacturers to mechanise their production processes because it is cheaper to use labour than invest in capital-intensive machinery.

The flow of money from migrant workers has been rising by as much as 33% each year in some areas, but the rate of growth is beginning to slow down. In 2007, the World Bank predicted that, by 2009, the amount sent home by the world's 150 million international migrants could fall by about 1%. Mexico, the third biggest recipient of migrant remittances in the world, estimated in 2007 it would receive $23.8bn but that this would fall in 2008 by almost 8%.

In 2010, a different organisation produced the following table of migrant remittances.

Table 1: Money sent home by migrant workers to selected countries (US$ billion)

Country	**2006** US$ bn	**2007** US$ bn	**2008** US$ bn	**2009** US$ bn
India	26.9	27.0	45.0	55.0
China	22.5	25.7	40.5	n/a
Philippines	12.7	14.4	16.4	17.3
Mexico	25.6	26.1	25.1	21.2
Bangladesh	5.5	6.6	9.0	10.7

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(a) What might be concluded about the Philippines' economy from the information given? [4]

(b) How far is the information in the fifth paragraph of the article supported by the evidence in Table 1? [4]

(c) Assess whether it is beneficial for the receiving country to use migrant labour. [5]

(d) Discuss the overall effect of the outflow of workers on the economy of their home country. [7]

Section B

Answer **two** questions.

2 A study found that demand for tickets for exhibitions at a major art gallery had unitary price elasticity.

(a) Explain how the concept of diminishing marginal utility may be used to construct a demand curve for the product and whether that analysis still applies in the case of demand for tickets for the exhibitions. [12]

(b) Discuss whether the law of diminishing returns contradicts the concept of economies of scale. [13]

3 **(a)** Explain what is meant by an oligopoly market and why prices might fluctuate less in an oligopoly market than in a perfectly competitive market. [12]

(b) Discuss whether a firm in monopolistic competition is more likely to act in the public interest than a firm that is a monopoly. [13]

4 Some workers producing non-essential luxury goods or services are paid very highly. The wage rate is not related to the economic value of a good or service but more to social factors or fashion. The economic theory of wages is, therefore, of little use in explaining wage differentials.

Assess this argument. [25]

5 It is said that the lack of investment funds for private companies from banks leads to temporary closures of factories which then become permanent and cause long-term unemployment. This loss of output will lead to a possible recession.

Analyse each part of this argument and discuss whether you agree with it. [25]

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[Turn over

6 **(a)** Explain how the age and employment structures of the population of a developing country are likely to differ from those of a developed country. [12]

(b) You are told that a country has problems relating to overcrowding, unemployment and pollution.

Discuss whether the existence of such problems necessarily means that the country must be a developing country. [13]

7 **(a)** For what purposes do people demand money? [10]

(b) Too much money causes inflation. Discuss the main macroeconomic aims of the government and consider whether it should give priority to the limitation of inflation in achieving economic well-being. [15]

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Question 1	© http://www.ifad.org/remittances/maps/brochure.pdf.
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Question 2	© NESTA (National Endowment Science Technology and the Arts) INTERIM RESEARCH REPORT 1 December 2009).
Question 5	© *Sunday Telegraph* 07.02.10.

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