UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays (Supplement) **October/November 2010**

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.

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Section A

Answer this question.

1 **The Success of Supermarkets**

In some countries supermarkets dominate food shopping. In the UK 75% of the food bought for home use comes from supermarkets. A third of that comes from one supermarket, Tesco. Tesco makes billions of pounds profit, one third of which goes to the government in taxes. It employs 110 000 people in the UK and many more in developing countries.

In the past, UK shoppers queued to buy expensive food from many small shops with limited choice and restricted opening times. Now, in supermarkets, they have the benefit of a wide choice, reasonable prices, international dishes, organic produce, fair trade items, clear labels of the contents of the products and, because of intense competition between the supermarkets, some open 24 hours.

However, the media complain that supermarkets are not competitive but monopolies. They say their profits are too high, they have caused small shops to close and forced suppliers in developing countries to accept low prices and to pay low wages.

It must be remembered that supermarkets grew because they gave the customer what they wanted and aimed at certain types of shoppers. One supermarket, which started as a small shop, insisted on selling only high quality products while another offered customers low prices.

Supermarkets also adapted to changing market trends. One began to supply products with its own brand name which were sold more cheaply because there were no advertising costs. A further brilliant idea in expanding their business was the introduction of a store loyalty card. Shoppers with a loyalty card are given discounts which encourages them to continue to shop in the same supermarket.

The most successful supermarkets expanded their businesses by buying large sites to build huge stores. (They are criticised for such building, especially if it destroys parts of the countryside or environment.) They expanded into non-food products to fill these stores, making it possible for consumers to buy many household items from clothes to kitchen utensils to electrical goods in the same shop. Supermarkets have also recently introduced on-line shopping and home deliveries.

Many small shops have closed. There are bound to be casualties in retailing. How can the blame for that be the fault of the supermarket? Their size should not be a concern. It is, after all, the consumer who decides where to shop and what to buy.

(a) How has the type of market structure in food retailing in the UK changed? [3]

(b) To what extent does the article support the view that the consumer is sovereign in food retailing? [4]

(c) Explain what the various objectives of a firm might be. [5]

(d) Do you agree with the conclusion of the article that the size of a firm should not be a source of concern? [8]

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Section B

Answer **two** questions.

2 In 2009 there were huge fires in Australia which destroyed much property and countryside. The government promised to allocate a large amount of money and resources to help with the restoration of the area.

(a) With the help of diagrams explain what is meant by efficiency in the use of resources. [12]

(b) Discuss the economic implications of the government's approach to the situation. [13]

3 **(a)** Explain what is meant by internal economies of scale, and analyse the link between economies of scale and a firm's long run average cost curve. [12]

(b) Discuss whether there is a relationship between the marginal cost curve of the firm and the supply curve of the industry to which it belongs. [13]

4 Recently, employers in some countries have employed foreign workers instead of local workers. The local workers argue that they should have priority over foreign workers and also that more products should be produced at home rather than being imported.

(a) Explain, with the help of a marginal revenue productivity diagram, why an employer might prefer to switch to foreign workers. [12]

(b) Discuss whether it would be beneficial for a country to give priority to its local workers. [13]

5 National income statistics are used to calculate a country's GDP. The table shows the GDP for five countries for 2008.

Country	GDP $m
USA	14 580 000
India	3 319 000
Singapore	244 000
Mauritius	14 060
Swaziland	5 626

Discuss how far the table might be used to determine whether one country has higher living standards than another. [25]

6 Explain what is meant by an equilibrium level of national income and discuss why this equilibrium might change in a developing country. [25]

7 Economic analysis states that the aims of the government include economic growth and economic efficiency.

(a) Explain how achieving economic growth might conflict with other government macroeconomic aims. [12]

(b) Is economic efficiency better achieved by the market mechanism rather than by government microeconomic policy? [13]

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