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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS **0455/06**

Paper 6 Alternative to Coursework **May/June 2007**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

* 5 5 4 8 2 9 3 2 9 5 *

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.

Answer **all** questions.

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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1 **Bad to the last drop**

Drinking bottled water has become popular in developed countries. In 2004, over $44 billion was spent on bottled water. A litre of bottled water costs at least 250 times as much as tap water, often cannot be distinguished from tap water and some brands contain the same chemicals as tap water which people think they have paid to avoid. In developed countries water is fashionable; the practice of carrying a small bottle of water is now almost as common as carrying a cell (mobile) phone.

By contrast, in developing countries there is often no tap water. 40% of the world's population lack basic sanitation and 1 billion people do not have safe drinking water. The World Health Organisation estimates that 80% of illness in the world is due to water-borne diseases and in the developing countries 5 million die from inadequate water or poor sanitation each year.

Illness means lower productivity, greater dependence on aid from other countries and more poverty. In some countries the main reason why girls do not go to school is that they have to spend a lot of time fetching water from distant wells.

The International Water Management Institute (IWMI) estimates that everyone could have clean water if, each year, an extra $1.7 billion was spent on water projects. Improved sanitation could be achieved by spending a further $9.3 billion each year.

It would, therefore, be better for everyone and a better use of resources if the developed world stopped spending money on bottled water, drank the safe tap water instead and the money was used to improve water supplies in developing countries.

(a) (i) The extract states that the lack of pure water causes illness and that this reduces productivity. Explain what a reduction in productivity means. [2]

(ii) Why might a reduction in productivity lead to greater dependence on aid from other countries? [3]

(b) Explain, using a diagram, how, according to economic analysis, a change in the price of a product would influence its demand. [2]

(c) Use two demand and supply diagrams, one for bottled water and one for a substitute, to explain how a decrease in the supply of bottled water would influence the market for the substitute. [5]

(d) (i) Analyse why a person might prefer to buy a particular good rather than a substitute. [3]

(ii) Discuss whether your analysis is supported by the information given in the extract about tap water and bottled water. [4]

(e) Use the figures provided by the IWMI to calculate the percentage of the money currently spent on bottled water that would be required to improve water and sanitation in developing countries. Show your working. [2]

(f) Discuss what you would need to find out in order to check the conclusion at the end of the extract that resources could be better used for the benefit of everyone. [8]

[Total: 29]

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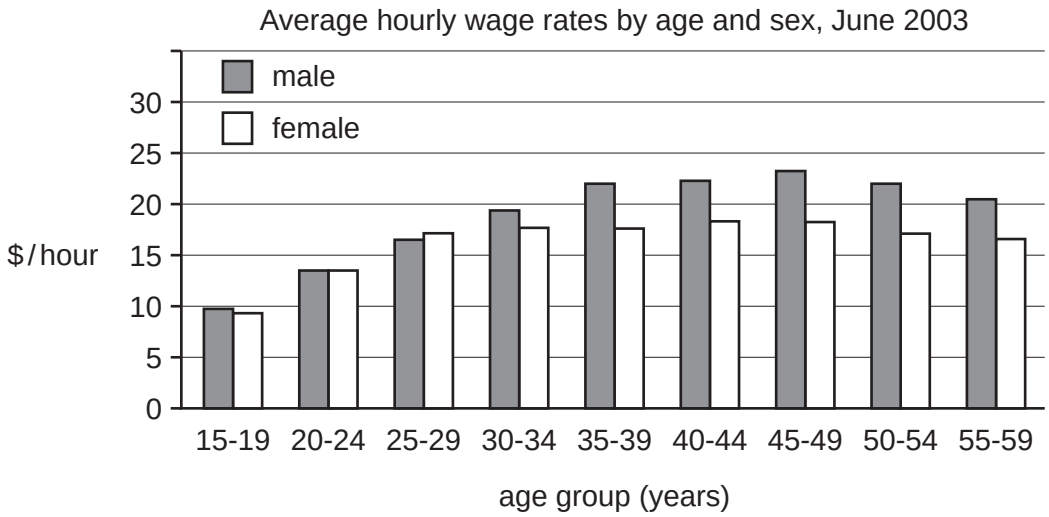
2 **Wage Rates in New Zealand**

In New Zealand in June 2003 the average hourly wage rate was $17.82. Male workers earned on average $19.02 an hour and female workers on average $16.57 an hour. After adjusting for the effects of inflation average hourly earnings increased by $1.66 an hour (10 %) in the six years to June 2003.

The chart below gives average hourly wage rates in New Zealand in June 2003.



(a) Identify the differences between male and female earnings for those aged 20-29 compared with those aged 50-59. [3]

(b) Explain whether the table supports the view that female workers are equally productive and promoted as much as male workers. [5]

(c) An employer stated that the above information is incorrect, and actually the average hourly earnings in New Zealand increased by **more** than $1.66 (10 %) during the six year period to June 2003. Could the information be used to support his claim? [3]

[Total: 11]

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Question 2 © Statistics New Zealand.

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