Cambridge Assessment International Education

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ECONOMICS **0455/22**

Paper 2 Structured Questions **May/June 2021**

2 hours 15 minutes

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **four** questions in total:
  Section A: answer Question 1.
  Section B: answer **three** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **8** pages. Any blank pages are indicated.

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Section A

Read the source material carefully before answering Question 1.

Source material: Chilean cherries

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Producing just a few products can be risky for a country.

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Fig. 1.1 Population pyramids of Chile and Haiti 2018

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There is, however, evidence of market failure and inequality in how resources are allocated.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate Chile's agricultural output in 2017. [1]

View solution

(b) Identify **two** disadvantages of a country specialising. [2]

(c) Explain **one** reason why demand for cherries is price-elastic. [2]

View solution

(d) Explain how Chile's population structure differs from Haiti's population structure. [4]

(e) Analyse why China buys most of its cherries from Chile. [4]

View solution

(f) Analyse why Chilean astronomers are paid more than Chilean farm workers. [5]

(g) Discuss whether or not Chilean consumers would benefit from more government intervention in the economy. [6]

View solution

(h) Discuss whether or not the Haitian economy would benefit from fewer of its people working in Chile. [6]

View solution

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answers you may refer to the material and / or to other examples you have studied.

2 Nearly one million people in Cairo, the capital city of Egypt, live in crowded, unhealthy housing. One reason why people lack basic necessities, including adequate housing, is unemployment. In 2019, nearly 10% of Cairo's workers did not have a job. Other citizens of Cairo live in luxury, in houses costing more than $1 million. Many of Cairo's rich adults grew up in rich families.

(a) Identify **two** basic necessities, other than housing. [2]

View solution

(b) Explain how frictional unemployment differs from cyclical unemployment. [4]

View solution

(c) Analyse why the children of the rich tend to become rich adults. [6]

View solution

(d) Discuss whether a government should provide subsidies to families to spend on housing. [8]

View solution

3 Consumers in Uruguay are eating more processed foods. Factors of production, including enterprise, have responded to this change. Firms in the processed food industry have become more capital-intensive. All of Uruguay's industries were affected by the rise in its inflation rate, from 6.2% in 2017 to 7.7% in 2018.

(a) Define *enterprise*. [2]

View solution

(b) Explain the influence of opportunity cost on consumers' decisions. [4]

View solution

(c) Analyse why a firm may become more capital-intensive. [6]

View solution

(d) Discuss whether inflation harms a country's industries. [8]

View solution

4 Turkey's birth rate is falling which is likely to reduce its supply of labour. However, improvements in the quality of labour and the increase in foreign multinational companies (MNCs) operating in Turkey (the host country to the MNCs) may help the economy avoid a recession. One reason why economists are worried that a recession may occur is an expected rise in the interest rate.

(a) Define *birth rate*. [2]

View solution

(b) Explain **two** causes of an increase in the quality of labour in a country. [4]

View solution

(c) Analyse how a rise in the interest rate could cause a recession. [6]

View solution

(d) Discuss whether or not MNCs improve the economic performance of the host countries in which they operate. [8]

View solution

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5 The money supply in Bangladesh increased every year from 2010 to 2018. Changes in the money supply and the foreign exchange rate can affect a government's macroeconomic policy aims, including full employment. There have been few mergers between commercial banks in Bangladesh, although its banks are larger than many of its other firms.

(a) Identify **two** functions of money. [2]

View solution

(b) Explain **two** reasons why commercial banks may want to merge. [4]

View solution

(c) Analyse how a fall in a country's foreign exchange rate could increase employment. [6]

View solution

(d) Discuss whether or not it is an advantage to keep a firm small. [8]

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