Cambridge Assessment International Education

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ECONOMICS **0455/21**

Paper 2 Structured Questions **May/June 2025**

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: Gabon's industries and labour force

Gabon fact file	2022
GDP	$22bn
GDP per head	$13 800
Oil output	$6.6bn
Unemployment rate	23.2%
Youth unemployment rate	38.4%

Gabon is a small West African country. Its rainforests reduce air pollution, provide wood for timber production, protect against floods and reduce soil erosion. The Gabonese Government wants to conserve the country's rainforests. It has created some national parks which has increased tourism, affecting the current account of the balance of payments.

The Gabonese Government wants to reduce the country's reliance on timber production, oil production and agriculture. The country is Africa's fifth-largest oil producer but its resources of oil are running out. The oil industry causes water pollution. The country has other natural resources, including gold. In 2022, new deposits of gold were found in Gabon.

Gabon's agricultural industry employs a high proportion of the country's labour force. Fig. 1.1 shows the literacy rate and the percentage of the labour force employed in agriculture in six selected countries in 2022.

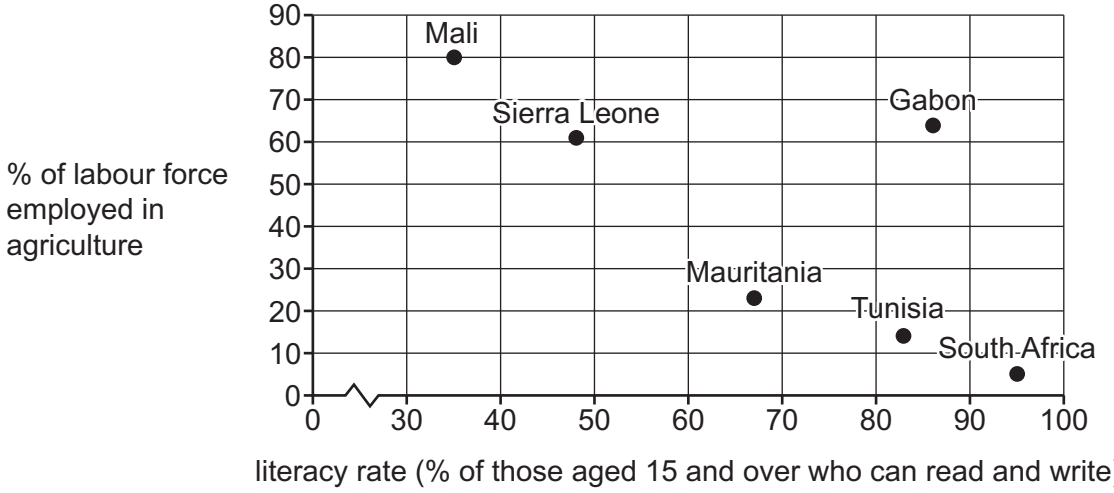

Fig.1.1 The literacy rate and the percentage of the labour force employed in agriculture in selected countries in 2022

In recent years, Gabon has experienced a high rate of unemployment among 15–24 year olds. High rates of youth unemployment can result in young people not gaining the skills and experience needed to achieve high productivity. It can also have a harmful effect on their confidence. Some governments pay private sector firms to give work experience to unemployed young people. The quality of this experience can vary.

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The Gabonese Government wants to develop its textile industry, encouraging firms to grow in size. The output of the industry will be affected not only by possible government support but also by its use of technology and specialisation of workers.

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

1 **(a)** Calculate the value of Gabon's oil production as a percentage of Gabon's GDP. [1]

View solution

(b) Identify **two** external benefits of rainforests. [2]

(c) Explain what effect an increase in tourism may have on Gabon's current account of the balance of payments. [2]

View solution

(d) Explain **two** reasons why the Gabonese Government wants to reduce reliance on oil. [4]

View solution

(e) Draw a demand and supply diagram to show the effect of the discovery of new gold deposits on the market for gold. [4]

(f) Analyse the relationship between the literacy rate and the percentage of the labour force employed in agriculture. [5]

View solution

(g) Discuss whether or not a government should pay private sector firms to give work experience to unemployed young people. [6]

View solution

(h) Discuss whether or not a growth in the size of firms in Gabon's textile industry will reduce their average cost of production. [6]

View solution

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Section B

Answer any **three** questions.

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

2 The shape of Colombia's population pyramid is changing. The income distribution of this South American country, however, is not changing significantly. The country has one of the most unequal income distributions in the world. Some Colombians work in its footwear industry which produces shoes, sandals and boots. Although footwear is produced in the private sector, Colombia has a mixed economic system.

(a) Define *population pyramid*. [2]

View solution

(b) Explain **two** reasons why income may become more unevenly distributed. [4]

(c) Analyse the influences on whether demand for shoes is elastic or inelastic. [6]

View solution

(d) Discuss whether or not a mixed economic system will benefit the people who live in that economy. [8]

View solution

3 In recent years, the quantity of Latvia's factors of production has changed. Since 2008, its capital has increased and its land has not changed significantly, but its labour force and its enterprise have decreased. Enterprise and conditions of supply can affect firms' prices. In 2022, the Latvian Government increased the country's national minimum wage (NMW). Its NMW did, however, remain one of the lowest in the European Union.

(a) Identify the rewards to capital and land. [2]

View solution

(b) Explain **two** causes of a decrease in enterprise in an economy. [4]

(c) Analyse how changes in conditions of supply can affect a firm's prices. [6]

View solution

(d) Discuss whether or not a rise in a national minimum wage will harm an economy. [8]

View solution

4 In 2023, India became the country with the largest population. This may affect the government's macroeconomic aims. In 2018, the Indian Government cut the country's corporation (corporate income) tax rate from 35% to 25%. Between 2019 and 2022, India's inflation rate averaged 6%. Some economists suggested that to achieve its central inflation rate target, the government should cut its spending.

(a) Identify **two** macroeconomic aims of government that may conflict. [2]

View solution

(b) Explain **two** reasons why a country may have a high population growth rate. [4]

(c) Analyse how a cut in the corporation (corporate income) tax rate can increase economic growth. [6]

View solution

(d) Discuss whether or not a decrease in government spending will reduce inflation. [8]

View solution

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5 Australia has a number of firms that operate in other countries. These multinational companies (MNCs) provide several benefits for their home country of Australia. The Australian Government imposes relatively low import tariffs and the country has a floating exchange rate. In recent years, Australia has experienced an increase in investment and a higher Human Development Index (HDI) value.

(a) Identify **two** benefits an MNC may provide for its home country. [2]

View solution

(b) Explain **two** disadvantages of import tariffs. [4]

(c) Analyse how an increase in investment can result in a rise in a country's HDI value. [6]

View solution

(d) Discuss whether or not having a floating exchange rate benefits an economy. [8]

View solution

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