Cambridge Assessment International Education

# Cambridge IGCSE™

**ECONOMICS** **0455/23**

Paper 2 Structured Questions **October/November 2024**

**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: The Belarus economy**

| Belarus fact file | 2021 |
|---|---|
| Number of cars produced | 32 000 |
| Total cost of cars produced | $340.8m |
| Labour force employed in the tertiary sector | 52% |
| Labour force employed in the public sector | 49% |
| Share of output produced by state-owned firms | 70% |
| Inflation rate | 9.9% |
| Unemployment rate | 5.7% |

Belarus, a mixed economy, was one of the poorest countries in Europe in the 1990s. Since then, the country's GDP per head has increased and poverty has been reduced. The country has also experienced a rise in life expectancy. Table 1.1 shows life expectancy and Human Development Index (HDI) value in six selected countries in 2019.

**Table 1.1 Life expectancy and HDI value in six selected countries in 2019**

| Country | Life expectancy (years) | HDI value |
|---|---|---|
| Belarus | 74.8 | 0.823 |
| Norway | 82.4 | 0.957 |
| Tajikistan | 71.1 | 0.668 |
| Thailand | 77.2 | 0.777 |
| Uganda | 63.4 | 0.544 |
| United States | 78.9 | 0.926 |

Between 2011 and 2021, there was a rise in the price level in Belarus. Increases in the price of energy pushed up the costs of production of firms in both the public sector and the private sector. Over this period, there was also an increase in investment in Belarus, a decline in the size of the country's labour force and a decrease in the number of students going to university.

Belarus produces a range of products. Milk is one of the agricultural products that Belarus produces. The country is the fifth largest producer of milk in the world. The Belarus government is reluctant to subsidise the production of milk, but it has provided large loans for the mechanisation of the dairy industry.

The Belarus government wants to encourage the production and purchase of electric vehicles. It plans to build 1300 electric vehicle charging stations by 2030. The use of electric vehicles can have beneficial environmental effects. However, some other forms of transport may provide more benefits and some people and firms may be reluctant to switch to buying electric vehicles.

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A more unpopular government measure that was introduced in 2015 was a law which imposed fines on those people who were unemployed for six months or more. Anyone who did not pay the sum of money to the government for breaking the law was jailed. This may have reduced frictional unemployment if suitable jobs were available. However, some of the unemployment might have been structural or cyclical. This law was ended in 2018.

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

**1** **(a)** Calculate the average cost of producing a car in Belarus in 2021. [1]

View solution

**(b)** Identify **two** reasons why Belarus is described as a mixed economy. [2]

**(c)** Explain the type of inflation experienced by Belarus. [2]

View solution

**(d)** Explain **two** reasons why the production possibility curve (PPC) of Belarus may have shifted to the left between 2011 and 2021. [4]

View solution

**(e)** Analyse the relationship between life expectancy and HDI value. [4]

**(f)** Analyse, using a demand and supply diagram, how subsidising the production of milk would affect the market for milk. [5]

View solution

**(g)** Discuss whether or not the construction of electric vehicle charging stations would benefit an economy. [6]

View solution

**(h)** Discuss whether or not people should be fined for being unemployed. [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 other examples you have studied.

**2** Luxembourg is a country with a high level of economic development. Its government intervenes in an attempt to overcome some of the disadvantages which might exist in a market economic system. Some of the country's firms operate in competitive markets but some are monopolies. Households in the country save a high proportion of their income. Immigration is the main cause of the country's growth in population.

**(a)** Identify **two** influences on the proportion of income saved by households. [2]

View solution

**(b)** Explain **two** characteristics of monopoly. [4]

View solution

**(c)** Analyse the causes of migration between countries. [6]

View solution

**(d)** Discuss whether or not government intervention can overcome the disadvantages of a market economic system. [8]

View solution

**3** Some people in Indonesia play tennis. However, badminton is Indonesia's favourite sport. The equipment needed to play it, including badminton racquets, is relatively cheap. Players from the country win a high proportion of international tournaments. Top Indonesian players earn ten times the average wage and more than thirty times the wage of a cleaner.

**(a)** Identify **two** decision-makers involved in economics. [2]

View solution

**(b)** Explain the relationship between:

- demand for tennis racquets and demand for badminton racquets
- demand for tennis racquets and demand for tennis balls.

[4]

View solution

**(c)** Analyse why most cleaners earn a low wage. [6]

View solution

**(d)** Discuss whether or not a government should tax sports equipment. [8]

View solution

**4** Davos is a ski resort in Switzerland famous for hosting a world economic conference for leaders from both private and public sectors. Topics discussed usually relate to global economic development. Hospitality firms in Davos depend on seasonal migrant labour, especially when they want to increase the supply of goods and services quickly.

**(a)** Define *supply*. [2]

View solution

**(b)** Explain the difference between the private sector and the public sector. [4]

View solution

**(c)** Analyse the causes of differences in economic development between countries. [6]

View solution

**(d)** Discuss whether or not the employment of migrant workers can benefit an economy. [8]

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**5** In 2021, the central bank of Turkey cut the interest rate on four occasions. This was despite the country's inflation rate rising from 15% at the start of the year to 36% at the end of the year. Turkish commercial banks attracted more customers which led to a 10% rise in bank deposits. The country's currency, the Turkish lira, fell to a record low against the US dollar later that year.

**(a)** Define a *central bank*. [2]

View solution

**(b)** Explain **two** ways a commercial bank could attract more customers. [4]

View solution

**(c)** Analyse the possible causes of a fall in a country's foreign exchange rate. [6]

View solution

**(d)** Discuss whether or not a cut in the interest rate will reduce inflation. [8]

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