Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/22**

Paper 2 Structured Questions **February/March 2015**

2 hours 15 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Section A

Answer Question 1.

Section B

Answer any **three** questions.

The number of marks is given in brackets [ ] at the end of each question or part question.

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Section A

Answer this question.

1 The challenges facing India

The year 2013 brought a number of challenges to India's economy. For instance, in 2010, India's Gross Domestic Product (GDP) rose by 9.5%. In 2012, it increased by 5.3% and, in 2013, it increased by only 4.5%.

In August 2013, the Indian rupee fell to a record low against the US dollar. This pushed up the price of a range of products in India. In response, the Reserve Bank of India, India's central bank, tried to prevent further falls in the international value of the rupee. At the same time, the Indian Government tried to reduce the deficit on the current account of the country's balance of payments.

The Government raised the tax on imports of gold, to reduce both the current account deficit and the fall in the exchange rate. Spending on imported gold is second only to spending on imported oil in India's trade in goods.

A country's import expenditure and export revenue are influenced by a number of factors. One key influence on export revenue is changes in world GDP. Table 1 shows world GDP and India's export revenue over the period 2008 to 2012.

Table 1: World GDP and India's export revenue 2008–2012

Year	World GDP (US$ trillion)	India's export revenue (US$ billion)
2008	50	166
2009	48	189
2010	56	182
2011	58	251
2012	62	305

Investment fell in the country between 2010 and 2012. The Reserve Bank of India was considering changing the rate of interest to influence investment, that is spending on capital goods by firms, and borrowing by households.

India is the world's second largest producer of onions after China. Whilst India's farmers produce large quantities of onions, their productivity is low. India usually exports more onions than it imports, making it a net exporter of onions.

In 2013, there was a rise in the price of onions caused by poor harvests resulting from bad weather. This then led to the country having to import more onions.

The Government put a tax on the export of onions to increase the supply of onions on the home market. It was also hoping that farmers would respond in a positive way to the rise in the price of onions.

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(a) Using information from the extract, explain whether India experienced a recession or economic growth in 2013. [2]

(b) Explain **two** ways a central bank could try to stop a fall in the international value of its country's currency. [4]

(c) Using information from the extract, explain what is likely to have happened to the price of gold in India in 2013. [3]

(d) Using Table 1, comment on the relationship shown between the change in world GDP and India's export revenue. [4]

(e) Explain **two** ways a government could try to increase investment. [4]

(f) Discuss whether governments should encourage households to borrow more. [5]

(g) Using information from the extract, explain the opportunity cost of exporting onions. [2]

(h) Discuss whether India is likely to be a net importer or a net exporter of onions in the future. [6]

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[Turn over

Section B

Answer any **three** questions from this section.

2 Changes in global weather conditions are increasing the risks of some of the islands of the Maldives disappearing under the sea. They are also affecting the country's fishing industry which experiences frequent changes in equilibrium price. The country is considering whether to devote more of its resources to fishing. The country has recently created a new island, called Hulhumale, from reclaimed land.

(a) Why do choices have to be made about how resources are used? [2]

(b) Explain why price tends to move towards equilibrium over time. [4]

(c) Using a production possibility curve diagram, analyse the effect of an increase in land on an economy. [6]

(d) Discuss whether devoting more of its resources to fishing would benefit an economy. [8]

3 Tesco is a large multinational supermarket firm based in the UK. It sells a wide range of products which vary in their degree of price elasticity of supply. In 2013, the firm's profits fell in its home market and also in every other country in which it operates. For instance, in the UK, profits fell due to greater competition while in South Korea they fell as the Government placed additional restrictions on opening hours.

(a) Define 'price elasticity of supply'. [2]

(b) Explain why many firms try to maximise profits. [4]

(c) Analyse what determines in which countries a multinational company produces. [6]

(d) Discuss whether a government should regulate supermarket firms. [8]

4 In Myanmar (Burma) people prefer using clean bank notes. The country has relied largely on cash transactions but recently the Government has been encouraging the use of other forms of money. The use of monetary policy has reduced inflation, as measured by the consumer prices index, from 35% in 2007 to 1.5% in 2012. There is even the possibility that the country may experience deflation in the future.

(a) Define 'consumer prices index'. [2]

(b) Explain **two** functions of money. [4]

(c) Analyse how monetary policy can reduce the rate of inflation. [6]

(d) Discuss whether deflation always harms an economy. [8]

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5 Qatar has a fertility rate of 1.7. Males make up 75% of the country's population. The oil and gas industries are major employers in the country but the pattern of employment is likely to change in the future. In 2013, the country had the lowest unemployment rate in the world of 0.5%.

(a) Define 'fertility rate'. [2]

(b) Explain **two** reasons why a country may have more males than females in its population. [4]

(c) Analyse why the pattern of employment in a country may change over time. [6]

(d) Discuss whether a government should aim for an unemployment rate as low as 0.5%. [8]

6 Madagascar has highly fertile land but is one of the poorest countries in the world. In 2013, 92% of its population were living in poverty. In that year, Gross Domestic Product (GDP) and GDP per head declined. The country has low tax revenue and the Government is considering raising tax rates.

(a) Giving an example, define the factor of production 'land'. [2]

(b) Explain **two** reasons why a country may have a low GDP per head. [4]

(c) Analyse how a rise in tax rates may influence poverty. [6]

(d) Discuss whether a fall in GDP may reduce living standards. [8]

7 The World Economic Forum has stated that Brazil is in the final stage of becoming a developed country. Brazil is, however, facing a number of economic problems including a large deficit on the current account of its balance of payments. The Brazilian Government is not considering introducing a fixed exchange rate system but it is trying to improve education and to keep more of its skilled workers in the country.

(a) Define 'developed country'. [2]

(b) Explain **two** economic reasons why someone may decide to work in another country. [4]

(c) Analyse how a more educated labour force could reduce a country's current account deficit on its balance of payments. [6]

(d) Discuss whether a country's exchange rate should be determined by market forces or by the government. [8]

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