Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

Paper 2 Structured Questions **February/March 2021**

2 hours 15 minutes

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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: Will Germany continue to be a strong economy?

Population fact file 2017	Germany	world
population	81 million	7.5 billion
percentage of population aged over 65	22.0%	8.5%
average age	47.4 years	30.6 years

Germany is a country with a trade surplus and a high GDP per head. It also has a budget surplus (government tax revenue greater than expenditure), a high HDI and a low inflation rate.

In recent years, German firms have exported a higher value of goods and services. This has contributed to the growth of world trade, caused partly by a fall in transport costs. A relatively large number of German firms produce both in Germany and in other countries, helped by better communications.

Germany is a major producer and exporter of luxury cars. Demand for luxury cars was influenced in 2018 by increases in incomes in Germany and abroad, a rise in the price of US luxury cars and, in some countries, a fall in the price of petrol.

Improvements in the quality of education and information on job vacancies have made it easier for workers to change jobs in Germany. This greater ability to change jobs has helped to reduce unemployment and to increase the country's output.

Fewer workers in the German car industry are now members of a trade union. As shown in Table 1.1, trade union membership in Germany has declined in recent years.

Table 1.1 selected data on the German labour market 2013–2016

Year	Trade union membership (millions)	Size of labour force (millions)	Unemployment rate (%)	Average annual wage ($)
2013	18.0	42.2	5.4	40 567
2014	17.7	42.5	5.1	41 188
2015	17.6	42.8	4.8	42 084
2016	17.0	43.3	4.3	42 708

A challenge facing Germany is its ageing population. The effect of an older labour force is uncertain. It may mean firms become reluctant to invest in new technology, but a shortage of young workers may encourage firms to buy more capital goods.

Germany's population may fall and there will soon be fewer Germans aged under 30 than over 60 unless immigration continues at a relatively high rate. Immigration might increase both the country's labour force and its government's spending on education.

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

1 **(a)** Calculate the number of Germans aged over 65 in 2017. [1]

(b) Identify **two** measures of living standards. [2]

(c) Explain **one** cause of globalisation. [2]

(d) Explain **two** advantages of an increase in the occupational mobility of labour. [4]

(e) Analyse why the price of German luxury cars may have increased in 2018. [4]

(f) Analyse whether the strength of German trade unions increased from 2013–2016. [5]

(g) Discuss whether or not an ageing labour force will reduce productivity. [6]

(h) Discuss whether or not immigration will increase a country's budget surplus. [6]

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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 India has experienced a relatively high economic growth rate in recent years. This growth has been driven by increases in government spending and exports, including exports of textiles. India's unemployment rate has, however, increased. The government is concerned that trying to reduce unemployment may increase India's inflation rate.

(a) Define *economic growth*. [2]

(b) Explain the possible opportunity cost to India of exporting more textiles. [4]

(c) Analyse how higher government spending could increase economic growth. [6]

(d) Discuss whether or not a government can reduce unemployment without increasing inflation. [8]

3 In the Netherlands in 2018, there were 1.3 bicycles per person and the world's largest underground bicycle parking area was built in the capital city. Land is scarce in city centres, where most cycling takes place. Demand for bikes in the Netherlands is price-inelastic. Only a few people in the Netherlands borrow money to buy bikes. The government encourages cycling by spending on both bike parking areas and leisure cycle parks.

(a) Identify **one** difference between land and labour. [2]

(b) Explain **two** reasons why demand for a product may be price-inelastic. [4]

(c) Analyse why households in one country may borrow more than households in another country. [6]

(d) Discuss whether or not a government should encourage more people to cycle. [8]

4 It is estimated that half of Egyptian men smoke. This is one of the highest rates in the world. In recent years the Egyptian government has increased the tax on cigarettes. The government and central bank have also tried to reduce inflation and improve Egypt's international trade performance. The Egyptian government could use subsidies to reduce its deficit on the current account of its balance of payments.

(a) Identify **two** qualities of a good tax. [2]

(b) Explain **two** reasons why governments tax cigarettes. [4]

(c) Analyse how a central bank could reduce inflation. [6]

(d) Discuss whether or not an increase in government subsidies will reduce a deficit on the current account of the balance of payments. [8]

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5 Sweden has a mixed economic system. In 2018, it was operating at a point inside its production possibility curve (PPC). In 2018, the country's schools employed nearly 2500 extra teachers. A few of these had previously been actors. A higher number had previously been government officials involved with regulation of Swedish monopolies.

(a) Define *a mixed economic system*. [2]

(b) Explain the difference between a point inside a PPC and a point outside a PPC. [4]

(c) Analyse why an actor may decide to become a teacher. [6]

(d) Discuss whether all monopolies have low costs of production. [8]

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