Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

Paper 2 Structured Questions **February/March 2024**

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: Changes in the Danish economy

Denmark fact file	
GDP 2021	$372 bn
Labour force in employment 2020	3 m
Total wages paid 2020	$252 bn
HDI value 2019	0.94
HDI ranking 2019	10th

Denmark is a high-income, North European country. The Danish population have high living standards and enjoy relatively long hours of leisure time. They spend this time in a variety of ways including cycling, jogging and playing golf.

Danish workers are employed in a range of industries. Denmark used to be a leading shipbuilding country but now the industry is in decline. Ships have substitutes in other forms of transport. Also, it may be possible to postpone the purchase of ships, they take a long time to produce and they are expensive to store. In contrast to the shipbuilding industry, the Danish toy industry has grown in recent years.

Denmark's shipbuilding and toy industries are in the private sector. Denmark's economic performance is also influenced by changes in the public sector. Table 1.1 shows Danish government spending and GDP over the period 2015 to 2021.

Table 1.1 Danish government spending and GDP 2015 – 2021

Year	Government spending ($bn)	GDP ($bn)
2015	77	303
2016	78	314
2017	79	333
2018	80	356
2019	82	350
2020	84	356
2021	86	372

Denmark is heavily involved in international trade. It usually has a surplus on the current account of its balance of payments. International trade affects the availability of products in the country and the country's foreign exchange rate. It also affects the country's GDP and level of employment.

How people work in Denmark, as in most countries, has changed in recent years. More people now spend at least some of their working hours working from home. This change is expected to affect productivity and help firms keep their workers. Households may be encouraged to move out of cities and to buy larger homes. There may also be changes in demand for transport, demand for food sold in city centres and firms' need for office space.

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

1 **(a)** Calculate the average wage paid in Denmark in 2020. [1]

(b) Identify **two** possible opportunity costs of a Danish person using their leisure time to cycle. [2]

(c) Explain **one** way that living standards are measured in Denmark. [2]

(d) Explain **two** reasons why the supply of ships is price-inelastic. [4]

(e) Analyse the relationship between government spending and GDP in Denmark. [4]

(f) Analyse, using a demand and supply diagram, how an increase in the birth rate would affect the market for toys. [5]

(g) Discuss whether or not a surplus on the current account of its balance of payments would benefit the Danish economy. [6]

(h) Discuss whether or not more people working from home will benefit an economy. [6]

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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 Since 2016, South Korea's population has declined, due to a falling birth rate, and a high proportion of its population is now aged over 64. The South Korean government has used tax revenue to give cash incentives to couples to have more children. However, many parents have chosen to have fewer children and spend more on each child to ensure they get a good education. South Korea now has fewer but larger schools.

(a) Identify **two** benefits people may gain from a good education. [2]

(b) Explain **two** reasons for a change in the amount of tax revenue a government receives. [4]

(c) Analyse the economies of scale a school may gain from an increase in its size. [6]

(d) Discuss whether or not having a high proportion of a country's population over the age of 64 is a benefit to its economy. [8]

3 Some firms in Monaco have experienced external growth. Firms in Monaco pay high wages. Workers in Monaco benefit from fiscal policy which contributes to high employment. Their government does impose VAT on food, including fruit. Some economists have suggested that instead of taxing fruit, governments should provide free fruit to consumers.

(a) Define *external growth of firms*. [2]

(b) Explain **two** reasons why low-skilled workers may be highly paid. [4]

(c) Analyse how fiscal policy can increase employment. [6]

(d) Discuss whether or not a government should provide free fruit to consumers. [8]

4 In 2021, the Suez Canal was blocked by one of the world's biggest container ships. This affected some firms' profits and caused a shortage in a number of products. The delivery of luxury chocolate and salt, for example, was delayed. These two goods have differences in their price elasticity of demand. The disruption to international trade created particular difficulties for those countries which import most of the food they consume.

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

(b) Explain **two** ways a firm can increase its profit. [4]

(c) Analyse the reasons why the price elasticity of demand for one brand of luxury chocolates is likely to be different from that of salt. [6]

(d) Discuss whether or not a country should import most of the food it consumes. [8]

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5 New Zealand is a high-income country with a low unemployment rate and a surplus of imports over exports. Recently, its government has made some important economic decisions. In 2022, it banned everyone born after 2008 from buying cigarettes. A year before, it gave permission for firms to explore for oil in the country.

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

(b) Explain **two** reasons why a government may discourage cigarette smoking. [4]

(c) Analyse why a country's exports may decrease. [6]

(d) Discuss whether or not the discovery of oil in a country will benefit its economy. [8]

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