UNIVERSITY OF CAMBRIDGE INTERNATIONAL EX
International General Certificate of Secondary Educati

CANDIDATE NAME

CENTRE NUMBER | | | | | |

CAN NUMBER

8232168153

ECONOMICS **0455/32**

Paper 3 Analysis and Critical Evaluation **May/June 2012**

1 hour 30 minutes

Candidates answer on the Question Paper.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
1	
2	
Total	

This document consists of **8** printed pages and **1** Insert.

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The extract '**A tax on high fat foods**' will be needed for this question.

1 **(a)** What is meant by external costs?

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.....[2]

(b) What evidence is there in the extract of the economic problem?

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(c) Why may obesity lead to an increase in government spending?

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(d) (i) Does the extract suggest that the poor spend more on f
your answer.

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(ii) Does the extract suggest that the demand for cigarettes is price elastic or price inelastic? Explain your answer.

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(e) Discuss whether the US Government should tax chocolate.

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[Total: 20]

The extract '**Challenges facing the BRICs**' will be needed for this question.

2 **(a)** Using information from the extract, state what happened to the price level in 2009 in:

(i) India

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(ii) China.

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.....[1]

(b) Why may a country experience a shortage of workers at the same time as it is encountering a relatively high unemployment rate?

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(c) Explain how raising the rate of interest can reduce aggregate

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(d) Using Figure 1, describe the trends in the current accounts o
as percentages of GDP in the four countries shown.

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.....[4]

(e) Explain an example of a conflict between government economic aims mentioned in the extract.

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Question 2(f) is on the next page

(f) Discuss whether an economy will always benefit from a redu

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[Total: 20]

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