UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS **0455/21**

Paper 2 Structured Questions **October/November 2010**

2 hours

Additional Materials: Answer Booklet/Paper

4731254039

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
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.

Section A

Answer Question 1.

Section B

Answer any **three** 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.

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Section A

Answer this question.

1 Tourism in Kenya

On average, over one million holiday makers travel to Kenya each year. Many holiday makers like to get away from the colder climates in Europe and North America, and they enjoy visiting the safari parks and beaches.

Tourism is Kenya's largest foreign exchange earner. It brings in between US$1000 million and US$1500 million a year, more than the combined earnings from the next two largest earners, horticulture (flowers and vegetables) and tea. The tourist industry directly employs 500 000 people. It employs another 500 000 people indirectly. For example, the farmers in areas without a tourist industry sell products to restaurants and hotels in the tourist areas.

Economic growth was a success story for the Kenyan Government, and between 2002 and 2007, economic growth increased from 0.5% to 7%. However, in 2008, the demand for holidays in Kenya fell as holiday makers chose to visit other destinations. This had a huge impact on Kenya's economy, and analysts feared a recession was likely. For the Kenyan economy to continue with a 7% growth rate after 2008, tourism would have to increase again.

(a) Identify **two** reasons why people choose to holiday in Kenya. [2]

(b) Explain how tourism affected Kenya's balance of payments before and after 2008. [5]

(c) What is meant by economic growth? [4]

(d) Discuss why the article calls Kenya's economic growth a 'success story' and consider how a fall in the number of holiday makers might affect the incomes and employment of people in Kenya. [9]

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Section B

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

2 In recent years there has been publicity that eating fish is often healthier than eating meat. At the same time, environmentalists in one country complained that the local supply of some fish had declined and they persuaded their government to limit the amount of fish that could be caught.

(a) Describe, with the aid of a demand and supply diagram, what might have happened in the market for fish. [5]

(b) Explain how the changes mentioned might affect

(i) the incomes of fishermen [4]

(ii) the profits of food retailers. [4]

(c) Sometimes the government influences private industry. What measures might it use to influence private industry? [7]

3 Sometimes there is not enough skilled labour for a particular occupation.

(a) Why might companies spend money on training to increase the skills of their workforce? [4]

(b) Apart from lack of skills, explain **three** other reasons that might prevent a person moving from one job to another. [6]

(c) Why might a worker join a trade union? [4]

(d) Discuss how a government might influence the demand for and the supply of labour. [6]

4 **(a)** Identify **two** types of business organisation that are likely to be found in a mixed economy and describe their characteristics. [6]

(b) Explain why most countries have mixed economies. [6]

(c) Sometimes firms and business organisations grow in size. Discuss how this might occur. [8]

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5 Lack of rain in some developing countries can be a problem. The developed countries often send food and other essential items to help.

(a) Why might low rainfall have such a disastrous effect in many developing countries? [5]

(b) What economic policies might the government of a developing country use to reduce the problem of food shortages? [7]

(c) Discuss which indicators economists might find most useful to determine whether a country is developed or developing. [8]

6 As scientists discover more about the spread of disease, governments introduce health education programmes and increase spending on health care. These programmes are particularly significant in developing countries and can change the age structure of the population.

(a) Identify and explain **two** concerns that a health education programme might cover. [4]

(b) How may the age structure of the population in a developing country change as a result of increased spending on health care? [6]

(c) Explain what is meant by

(i) opportunity cost [2]

(ii) social benefit. [2]

(d) Discuss whether it is possible to apply the concepts of opportunity cost and social benefit to health care programmes. [6]

7 Some governments impose tariffs and quotas on imports.

(a) Explain the difference between a tariff and a quota. [3]

(b) What effect might a tariff on imports have in the country that imposed the tariff? [8]

(c) Discuss what might happen if free trade between countries was established. [9]

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