UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS **0455/21**

Paper 2 Structured Questions **October/November 2012**

2 hours

Additional Materials: Answer Booklet/Paper

3971292565

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.

This document consists of **4** printed pages.

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Section A

Answer this question.

1 The United States Postal Service is in trouble

Since 2006, the volume of mail carried by the United States Postal Service (USPS) has fallen considerably and as a result it has reduced the number of its employees.

Table 1: USPS Volume of mail and number of employees in 2006 and 2010

	2006	2010
Volume of mail (in billions of items)	220	176
Number of employees (in thousands)	720	612

One reason for the problems of the USPS has been the recession. This has prompted businesses and advertisers, which account for most of the USPS's income, to reduce the number of letters and parcels they send. A long-term problem is that the volume of mail is not likely to go back to pre-2006 figures as the economy improves because of the strong challenge from the internet. Email is fast and cheap, businesses are advertising online more and they are increasingly asking customers to pay their bills online.

All of these issues are making it very difficult for the USPS, which does not receive any government subsidies. It estimated that it would lose US$8 billion in 2010.

The USPS plans to increase revenue by charging more for its services and to cut its costs by stopping Saturday deliveries and collections. Many USPS customers, including firms that use this service, are opposed to the plan. Some firms, however, stand to gain from this plan. One firm, Pitney Bowes, for example, makes products used by the USPS, such as automated sorting machines and automated franking machines. It expects demand for these products to rise if the USPS seeks to replace some of its employees with capital equipment.

(a) Did the number of employees of the USPS fall by a smaller or greater percentage than the volume of mail between 2006 and 2010? Show your workings. [2]

(b) (i) Explain what is meant by a substitute and give **two** examples from the extract. [3]

(ii) Explain **two** reasons why a firm may seek to replace some of its employees with capital equipment. [4]

(c) It is stated that the USPS plans to charge more for its services. Explain why such a decision might **not** necessarily lead to an increase in revenue. [4]

(d) Discuss whether it would be a good idea for a business, such as the USPS, to be supported by a government subsidy. [7]

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Section B

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

2 Labour is one of the four factors of production.

(a) Explain **three** causes of an increase in the supply of labour in a particular industry. [6]

(b) Explain, using a demand and supply diagram, how an increase in the supply of labour in a particular industry would affect the wages of people working in that industry. [6]

(c) Discuss what affects the ability of a trade union to achieve a wage increase for its members. [8]

3 **(a)** Explain what is meant by a central bank. [2]

(b) Describe the role that a central bank plays in a country's economy. [4]

(c) Explain why different income groups have different spending patterns. [6]

(d) Discuss to what extent non-wage factors are likely to be more important than wage factors in influencing a woman's choice of occupation. [8]

4 **(a)** Explain why multi-nationals are unlikely to be private limited companies. [4]

(b) Analyse the different ways in which firms can grow in size. [6]

(c) Discuss whether consumers would always want to be supplied by firms in perfect competition rather than by a monopoly. [10]

5 **(a)** Explain what is meant by economic growth. [4]

(b) Explain what actions a government could take to increase the rate of economic growth in a country. [6]

(c) Discuss the extent to which a high rate of economic growth always benefits a developing economy. [10]

6 **(a)** Distinguish between Gross Domestic Product (GDP) per head and the Human Development Index. [4]

(b) Explain how changes in a country's birth rate can influence its GDP per head. [6]

(c) Many countries have high levels of poverty. Discuss which policies would be most useful in reducing poverty in a country. [10]

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7 **(a)** Explain why countries often specialise. [5]

(b) Despite the potential advantages of specialisation, explain why a country may choose **not** to specialise. [5]

(c) Discuss why some countries have fixed exchange rates while others have floating exchange rates. [10]

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