UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS **0455/22**

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

2 hours

Additional Materials: Answer Booklet/Paper

0258231293

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 A new city is to be built in Ghana

Ghana is a mainly agricultural country where nearly a third of the population lives in poverty. The infrastructure is poor. Millions of people are moving into the cities, especially Ghana's capital, Accra. These areas are unable to cope with this geographical movement of people, resulting in an increasing number of shanty towns.

A businessman in Ghana is planning to build an eco-city, called Sikafutu, on land 30 miles (approximately 48 kilometres) outside Accra. It is called an eco-city because the building materials, such as wood and sand, would be obtained locally. Methane from food waste could be used to produce gas for cooking. Solar panels, and hydro power from a nearby river, would reduce pollution.

The eco-city will eventually cost US$1.7 billion to build. It could one day be home to 60 000 people. At the moment it is open land, used mainly for farming, with just a few people living there. The local tribespeople own this land and they have been promised a significant payment if they agree to sell the land, so that the project can go ahead.

The government would like property prices in the eco-city to be as low as possible, so that people are able to move from the shanty towns but, without government intervention, prices will be determined by market forces. Population and income are expected to rise in the area and these changes will have an impact on the future price of housing.

(a) What evidence is there in the extract to suggest that Ghana is a developing country? [4]

(b) Explain the economic reasons why some people might decide to move from rural parts of Ghana to the cities. [4]

(c) Explain, using a demand and supply diagram, how the expected changes in population and income are likely to affect the future price of property in the eco-city. [4]

(d) Discuss the advantages and disadvantages of building the new city to **(i)** the local tribespeople who are already living on the land and **(ii)** the economy of Ghana as a whole. [8]

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Section B

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

2 **(a)** Describe, with the use of examples, **two** factors of production. [4]

(b) Explain what is meant by the economic problem and why opportunity cost is relevant to the allocation of resources. [6]

(c) Discuss whether every economy should have some government intervention. [10]

3 A government is planning to build a high speed railway through a large area of fertile land and scenic beauty. A decision to construct the railway will depend upon how the project is financed and the social costs and social benefits arising from its construction.

(a) Describe, with the aid of examples from the construction of a railway, the meaning of social costs. [4]

(b) Explain why a government might consider using private funding rather than public funding to finance the project. [6]

(c) Discuss the advantages and disadvantages of such a high speed railway to a country's economy, both locally and nationally. [10]

4 Money is said to be of vital importance in all economies.

(a) Describe the **four** functions of money. [4]

(b) Explain how commercial banks may encourage saving. [6]

(c) Analyse why there are often differences in the earnings of workers in the public sector and workers in the private sector. [10]

5 **(a)** Describe the main features of **(i)** a co-operative and **(ii)** a public corporation. [4]

(b) Explain to what extent **(i)** a co-operative and **(ii)** a public corporation have profit maximisation as an objective. [4]

(c) Firms can grow large through integration. Explain, with the aid of examples, the difference between horizontal and vertical integration. [4]

(d) Discuss whether the disadvantages of a monopoly always outweigh the advantages. [8]

6 Governments usually aim to have a low rate of inflation and a high rate of employment, but these two aims can sometimes conflict.

(a) Explain why inflation can be harmful to an economy. [6]

(b) Explain why unemployment which lasts for more than a year has more harmful effects than short-term unemployment for **(i)** the unemployed and **(ii)** the economy. [6]

(c) Discuss to what extent the aims of a low rate of inflation and a high rate of employment are likely to conflict. [8]

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7 **(a)** Explain the advantages of regional specialisation in an economy. [4]

(b) Describe the structure of the current account of a country's balance of payments. [4]

(c) Explain why the value of a currency may fall in a floating exchange rate system. [4]

(d) Discuss whether a floating exchange rate system is always to be preferred to a fixed one. [8]

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