Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/21**

Paper 2 Structured Questions **October/November 2023**

2 hours 15 minutes

O030591061

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: Cambridge (UK) and Education

Cambridge fact file	2019
Population	124 800
Percentage of population aged 18–29	30%
Percentage of people who cycle regularly	54%
Percentage of workers with a university qualification	70%

Cambridge ranks number one amongst all UK cities in terms of the percentage of workers with a university qualification. It is also ranked number two in the UK in terms of the percentage of people aged 18–29. This is due to the high number of university students in Cambridge. Although the city has a relatively small population, its contribution to the overall size of the UK economy is significant.

Many firms in Cambridge operate in the education, healthcare, research and development, and hi-tech manufacturing industries. Cambridge firms' exports are highly knowledge-intensive, making them highly priced and price-inelastic in demand. Increasing global incomes have also increased the demand for services such as education from Cambridge.

The increase in the size of the education industry has the potential to reduce poverty. This is because a more educated labour force is able to earn higher wages and also have access to more information on health. Table 1.1 shows the percentage of population aged 25–64 with a university degree and the GDP per head in selected countries in 2019.

Table 1.1 Percentage of population aged 25–64 with a university degree and the GDP per head in selected countries in 2019

Country	% of population aged 25–64 with a university degree	GDP per head ($)
Canada	57	46 195
Colombia	22	6429
Hungary	24	16 732
Indonesia	12	4136
Switzerland	43	81 994
UK	46	42 330

Many of the people who live in Cambridge are strong supporters of globalisation and free trade between countries. A large number of firms in Cambridge depend on export revenues.

Cambridge is an attractive location for growing firms because of the availability of many highly skilled and educated workers from all over the world. It has good infrastructure including access to ultra-fast broadband and transport links to other cities and international airports. However, firms may be faced with high land and office costs. In 2019, Cambridge was the city with the third highest house prices in the UK. Poor air quality may also discourage workers from moving to Cambridge.

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

1 **(a)** Calculate the total number of people in Cambridge aged 18–29 in 2019. [1]

(b) Identify **two** types of industries in Cambridge that operate in the tertiary sector. [2]

(c) Identify **two** benefits of having highly knowledge-intensive exports. [2]

(d) Explain how having a more educated labour force can reduce poverty. [4]

(e) Draw a demand and supply diagram to show the effects of increased global income on the market for education in Cambridge. [4]

(f) Analyse the relationship between the percentage of population aged 25–64 with a university degree and GDP per head. [5]

(g) Discuss whether or not free trade is beneficial for a city such as Cambridge. [6]

(h) Discuss whether or not firms in Cambridge will continue to grow. [6]

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Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.

2 A third of the world's ski resorts are located in the Alps. Prices for holidays in the Alps are relatively higher than in other regions. The recent pandemic, however, reduced the revenues of many large and small firms in the tourism industry in the winter season of 2020/2021. Many blamed strict government regulations for this. However, government intervention also helped many firms to survive.

(a) State how average revenue is calculated. [2]

(b) Explain **two** advantages of a large firm. [4]

(c) Analyse the possible causes of higher prices of a product such as ski holidays in the Alps. [6]

(d) Discuss whether or not government intervention is beneficial for firms. [8]

3 Digital money, such as cryptocurrencies, is increasingly being used. Digital money transactions take place on electronic devices such as computers and smartphones. However, there can be market failure due to external costs arising from high energy usage of non-renewable sources. One way of reducing external costs is to tax the product.

(a) Identify **two** types of tax. [2]

(b) Explain **two** functions of money. [4]

(c) Analyse the consequences of market failure. [6]

(d) Discuss whether or not a tax on a product can reduce external costs. [8]

4 Malaysia once specialised in the production and export of natural rubber. The production of natural rubber was very labour-intensive. However, despite still being in the top 5 of natural rubber exporters in the world, Malaysia has moved towards producing manufactured goods that use natural rubber instead of just producing and exporting this primary product.

(a) Identify, other than natural rubber, **two** primary-sector products. [2]

(b) Explain **two** reasons why a country may change its specialisation. [4]

(c) Analyse the economic benefits for a country in producing manufactured goods instead of primary-sector products. [6]

(d) Discuss whether or not labour-intensive production will harm an economy. [8]

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5 One reason why the price of houses in cities such as Hong Kong, London, and New York is very high, is the low price elasticity of supply of houses. Trade unions in some of these cities are calling for more affordable housing for workers. Governments are also trying to implement various microeconomic policy measures to reduce the price of houses. In addition, the stability of the housing market can impact upon the effectiveness of monetary policy.

(a) Identify **two** monetary policy measures. [2]

(b) Explain **two** microeconomic policy measures that can be taken by a government to reduce the price of a product. [4]

(c) Analyse the key determinants of price elasticity of supply of a product. [6]

(d) Discuss whether or not trade unions benefit workers. [8]

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