UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/21**

Paper 2 Structured Questions **May/June 2010**

2 hours

Additional Materials: Answer Booklet/Paper

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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 South Africa imposes a quota on Chinese imports

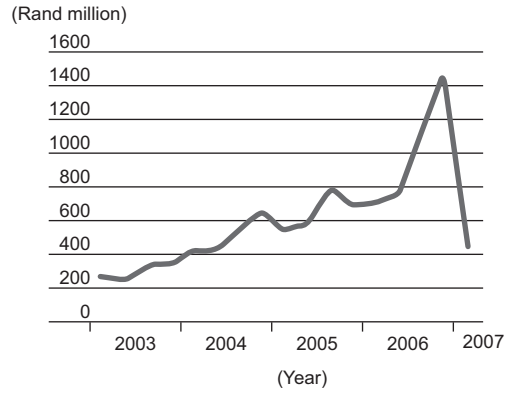
In 2007, the South African Government imposed a quota on the imports of clothing and textiles from China. The aim was to try and reduce these imports and increase home production instead.

In the first quarter of 2007, imports from China fell by 35% but some were replaced by imports from other countries, including unlikely sources such as Malawi and Zimbabwe which doubled their exports to South Africa. It was thought that China was exporting to South Africa via these countries. Overall, imports fell by only 13%.

The hope of increased home production was not achieved as some South African companies could not obtain the imports of the necessary fabrics used as raw materials. Lack of raw materials forced one company to reduce its workforce by 8% despite previously investing heavily for a planned expansion.

Other South African manufacturers did not have the capacity to meet demand so the quotas did not help create employment. The employers said that union power had also not helped. Unions wanted guaranteed employment but employers said, 'we run a business where fashion dictates what we buy and make. We do not know what our fabric requirements are years into the future and cannot promise future employment.'

South Africa imports of clothing and textiles from China



(a) Where are clothing and textile imports recorded in the balance of payments? [2]

(b) Explain what effect the imposition of a quota by a government might have on an economy. [4]

(c) The graph shows imports of clothing and textiles from China. Suggest why imports took the path shown between 2006-2007. [2]

(d) Explain whether the existence of a union in an industry such as clothing manufacturing is always a benefit to the textile workers. [4]

(e) Consider whether there is evidence in the article to suggest that the quota system was a success. [8]

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Section B

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

2 A government decided to stop subsidising students when they went to university. This meant a university course cost the students more but the government had extra funds.

(a) Define opportunity cost and explain how the above decision might be used to illustrate an opportunity cost. [4]

(b) With the aid of a demand and supply diagram discuss how the effect of a subsidy might vary in different markets. [6]

(c) Apart from a subsidy, how might a government change the market price of a good? [4]

(d) Analyse the differences between a market economy and a mixed economy. [6]

3 **(a)** Sometimes it is said that a person chooses a job because of non-wage factors. Explain, using **three** examples, the meaning of non-wage factors. [4]

(b) What might determine why one person saves a higher proportion of income and spends a lower proportion than another person? [6]

(c) Some occupations pay much more than other occupations. Why might this happen? [10]

4 A large, capital-intensive German company producing electrical goods decided to establish a factory in India.

(a) From the information given above, describe the type of business organisation that the German company is likely to be. [4]

(b) Discuss what might be the advantages for a company of establishing a factory in another country. [6]

(c) How might the establishment of the factory affect existing Indian companies and the Indian economy? [10]

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[Turn over

5 **(a)** Describe what is meant by economic growth and explain how it might be measured. [5]

(b) If there is economic growth, unemployment often declines. Identify **three** types of unemployment and explain their causes. [6]

(c) Discuss how **(i)** consumers **(ii)** firms and **(iii)** the government might benefit if there is economic growth. [9]

6 Firms employ factors of production to produce goods and services in order to make profits.

(a) What is meant by the term factors of production? [4]

(b) How do the characteristics of a monopoly differ from those of perfect competition? [6]

(c) Discuss how firms might become large and evaluate whether monopolies are necessarily advantageous. [10]

7 People often have an account with a commercial bank in which they deposit some of their money and from which they can pay their bills.

(a) Describe the functions of money. [6]

(b) Identify and explain **three** functions of a central bank which differ from the functions of a commercial bank. [6]

(c) Sometimes the value of money is decreased because of inflation. Discuss the main causes of inflation. [8]

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