UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/21**

Paper 2 Structured Questions **May/June 2011**

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 Rio de Janeiro wins the vote to host the 2016 Olympic Games

The Brazilian city of Rio de Janeiro has been chosen to host the Olympic Games in 2016.

Winning the vote would seem to have been the easy bit. Holding the games will require effort and expense on a massive scale. Apart from new stadiums and other sports facilities, the city will need infrastructure such as new bridges and roads, and also double the number of hotel rooms. The metro railway line will need to be extended by almost 10 miles (approximately 16 kilometres).

The city government has allocated US$14.4 billion to pay for the improvements in the infrastructure, although it is widely thought that the actual figure will be much higher than this.

The decaying port area will be redeveloped and the nearby bay will be cleaned as this is currently affected by sewage and industrial pollution.

It is hoped that the construction and redevelopment work will lead to an increase in the demand for labour, thereby reducing the city's high unemployment rate.

There are some people, however, who think that government revenue should be used for other purposes. A spokesperson from the Institute for Studies on Labour and Society suggested that the money should be spent on getting rid of the city's worst slum areas, reducing the high crime rate and doing something about the poverty in a city where one in six residents is poor.

(a) Name **two** sources of government revenue. [2]

(b) Explain why government spending on getting the city ready for the Olympic Games is an example of opportunity cost. [4]

(c) Explain, using a demand and supply diagram, how the change in the demand for labour is likely to affect the wages paid to construction workers. [6]

(d) Discuss the economic advantages and economic disadvantages to Rio de Janeiro of hosting the Olympic Games in 2016. [8]

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Section B

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

2 A market system, such as in Spain, has a number of advantages but, despite these benefits, it can also be said to fail in certain circumstances. This is why governments are sometimes required to intervene.

(a) Describe the advantages of a market system. [6]

(b) Explain what causes market failure. [6]

(c) Discuss whether government intervention is always successful in correcting market failure. [8]

3 Commercial banks perform an important role in most economies. Money helps in the exchange of goods and services and, in the form of wages, is an influence on the choice of occupation for many individuals.

(a) Explain the role of commercial banks. [4]

(b) Describe the various functions that money performs in an economy. [4]

(c) Describe the likely changes in income for individuals over their lifetime. [4]

(d) Discuss whether wages are the most important factor influencing the choice of occupation for many individuals. [8]

4 Sole proprietors and partnerships play an important role in Pakistan. They can often be regarded as a feature of perfect competition, especially sole proprietors.

(a) Describe the key features of a sole proprietor. [4]

(b) Explain why a lawyer, working as a sole proprietor, might wish to change the business to a partnership. [4]

(c) Describe the characteristics of perfect competition. [4]

(d) Discuss whether perfect competition is always to be preferred to monopoly. [8]

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5 Inflation and unemployment continue to be major problems in many countries.

(a) What is meant by inflation? [3]

(b) Explain the possible causes of inflation. [5]

(c) Identify and describe **two** different types of unemployment that can exist in an economy. [4]

(d) Discuss whether unemployment or inflation is the greater problem. [8]

6 When an economy develops, the occupational, age and geographical structure of the population is likely to change. Standards of living usually increase, but there are still likely to be regional differences in living standards.

(a) Describe how the **(i)** occupational, **(ii)** age and **(iii)** geographical structure of a population is likely to change as a country becomes more developed. [6]

(b) Explain why there may be differences in living standards in various regions within a country. [6]

(c) Discuss which policies are likely to be most effective in reducing the differences in living standards in various regions within a country. [8]

7 Changes in a country's exchange rate can sometimes have significant effects on its economy and on its balance of payments.

(a) Identify **two** causes of a change in a country's exchange rate. [2]

(b) Explain the effects of a fall in a country's exchange rate on its production. [6]

(c) Explain any **two** of the four sections of the current account. [4]

(d) Discuss whether an improvement in a country's current account position will result in an increase in its employment. [8]

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