UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/21**

Paper 2 Structured Questions **May/June 2012**

2 hours

Additional Materials: Answer Booklet/Paper

5796354564

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 **3** printed pages and **1** blank page.

DC (CW) 56866/1
© UCLES 2012

Section A

Answer this question.

1 A major change in the Indian economy

A major change in India has been the decrease in the primary sector and an increase in the manufacturing sector. Agriculture's share of India's national output has dropped from 40% in 1980 to 17% in 2010. For the first time, the primary sector is smaller than the secondary sector (manufacturing and construction). As a result, even more workers are leaving the land to work in the secondary sector.

There has been a large increase in investment in new plant and machinery in the manufacturing sector and much of this has been due to multi-national firms deciding to locate in India.

In April 2008, the Indian Government passed the National Rural Employment Guarantee Act. This promised those living in the rural areas at least 100 days' work each year at a minimum wage. A local trade union leader stated that "people here are feeling a sense of security for the first time."

A major problem for India, however, is inflation. The prices of many items have been rising significantly. The price of sugar, for example, rose by 35% in 2010. The Reserve Bank of India, the country's central bank, has announced that it will need to change the rate of interest.

(a) Explain why workers might decide to move from the primary sector to the secondary sector of an economy. [4]

(b) What are the advantages of the Indian Government promising employment in rural areas? [4]

(c) Analyse how a change in India's interest rate might influence its inflation rate. [4]

(d) Discuss whether it is always a benefit to a developing economy when a multi-national firm decides to locate there. [8]

© UCLES 2012

Section B

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

2 **(a)** Explain the economic problem of scarcity. [3]

(b) Define the concept of opportunity cost. [3]

(c) Distinguish, using examples, between the different factors of production. [6]

(d) Discuss whether a country should conserve or use its natural resources. [8]

3 **(a)** Explain the functions that money performs in an economy. [6]

(b) The demand for workers with a particular skill has increased significantly in the last few years. Explain, using a demand and supply diagram, how this is likely to affect the equilibrium wage and the equilibrium quantity of such workers. [6]

(c) Discuss whether skilled workers always earn more than unskilled workers. [8]

4 **(a)** Explain why a firm might wish to change from a private limited company to a public limited company. [4]

(b) Analyse why most firms want to maximise profits. [6]

(c) Discuss whether a firm will always benefit from an increase in its size. [10]

5 **(a)** Explain why a government may sometimes decide to produce certain goods and services itself rather than leave the production of such goods and services to the private sector. [6]

(b) Define the term full employment. [4]

(c) Discuss the extent to which frictional unemployment and structural unemployment are serious problems for **(i)** an individual and **(ii)** the economy. [10]

6 **(a)** Explain why the rate of population growth varies so much between some countries. [6]

(b) Explain the main features of a country classified as being developed. [6]

(c) Discuss whether an ageing population should always be regarded as an economic problem. [8]

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

(b) Explain the main causes of a current account deficit. [6]

(c) Discuss what would be the most effective policies to increase a country's exports. [10]

© UCLES 2012

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2012