UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/21**

Paper 2 Structured Questions **May/June 2013**

2 hours

Additional Materials: Answer Booklet/Paper

8459654634

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 Co-operatives reward customer loyalty

Mr Kojima's grocery store, near Tokyo's fish market, has been in business since his grandfather started it almost 100 years ago.

His store is part of a group of co-operatives, called Zen Nippon Shokuhin, which has nearly 2000 small stores. The co-operatives plan to introduce a loyalty card which rewards customers who use the stores regularly. They do this by giving special offers only to loyalty card holders.

These stores have enjoyed a great deal of success in recent years. Sales have increased by 20%. Customers like the personal service they receive from a local store. Sales in Japanese supermarkets, in contrast, have fallen for fourteen years in a row.

Some economists, however, consider small stores such as Mr Kojima's to be rather outdated. They also think the inefficiency of these small stores may be one possible cause of the low level of productivity of Japan's service sector.

(a) Describe **two** features of a co-operative. [4]

(b) Apart from a loyalty card, explain other ways in which small stores, such as those in Japan, can attract customers. [6]

(c) Define the term 'productivity'. [2]

(d) Discuss why small stores sometimes find it difficult to compete with large supermarkets. [8]

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Section B

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

2 The economic problem exists in every country, but there are different ways to try to solve it.

(a) Describe the nature of the economic problem. [4]

(b) Explain how the market system attempts to solve the economic problem. [6]

(c) Discuss which are the **most** important market failures in your country. [10]

3 Earnings in Nigeria vary a great deal. Some workers are highly paid, but others are paid very little. Trade unions are trying to increase the wages of their members.

(a) Using a demand and supply diagram, analyse how a trade union can increase the wages of their members. [6]

(b) Explain why a skilled worker is likely to be paid more than an unskilled worker. [6]

(c) Discuss what is likely to influence the success of trade unions in trying to increase the average wages of workers in an economy. [8]

4 Many firms in Spain, from the smallest to the largest, have profit maximisation as their main goal, but some of them have different goals.

(a) Describe **two** differences between a partnership and a private limited company. [4]

(b) Describe the principle of profit maximisation. [4]

(c) Explain the other goals, apart from profit maximisation, that firms may have. [6]

(d) Discuss the extent to which different firms can be affected by diseconomies of scale. [6]

5 Many countries experience the problems of inflation, but in some countries, such as Japan, there have been problems resulting from deflation.

(a) Distinguish between inflation and deflation. [4]

(b) Describe how the rate of inflation in a country can be measured. [6]

(c) Discuss whether deflation is a greater problem than inflation. [10]

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6 A country's population is influenced by the birth rate, the death rate and net migration.

(a) Define **(i)** birth rate and **(ii)** death rate. [4]

(b) Explain why the birth rate is decreasing in many countries. [4]

(c) Describe what is meant by net migration. [2]

(d) Discuss whether a rapid rise in a country's population should always be regarded as a serious problem. [10]

7 Many economies are now experiencing a large current account deficit on their balance of payments.

(a) Describe the structure of the current account of the balance of payments. [4]

(b) Explain what is meant by a current account deficit on the balance of payments. [4]

(c) Explain why a large current account deficit on the balance of payments is usually regarded as a serious problem. [4]

(d) Discuss which is the best way to reduce a large current account deficit on the balance of payments. [8]

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