Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/21**

Paper 2 Structured Questions **May/June 2022**

2 hours 15 minutes

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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: Cyprus

Cyprus fact file	2015	2019
Life expectancy (years)	79	81
GDP per head	$23 334	$27 900
Population	1 100 000	1 200 000
Birth rate (per 1000)	11.0	10.2

Cyprus is a small country which had a relatively high HDI ranking in 2019. It exports a range of goods and services including fruit, pharmaceuticals and clothing. Cyprus imports the majority of the food it consumes but produces most of its own grapes and potatoes. In 2019, the global grape harvest was affected by bad weather. Global grape production fell by 35% which caused a shortage.

Approximately 14% of Cyprus's labour force is employed in the primary sector. The average age of Cyprus's workers is increasing and more of them are now working past retirement age. This is particularly true of highly qualified workers who tend to be well-paid, healthy and have jobs that do not require physical strength.

The rise in life expectancy and the increase in the cost of providing state pensions led some economists to suggest a rise in the retirement age. Such a change would have an impact on the government's budget balance. In 2019, the Cypriot government had a budget surplus. In contrast, Cyprus had a deficit on the current account of its balance of payments. The size of a country's current account balance can be influenced by its inflation rate. Fig. 1.1 shows selected countries' inflation rates (%) and current account balances (% of GDP) in 2019.

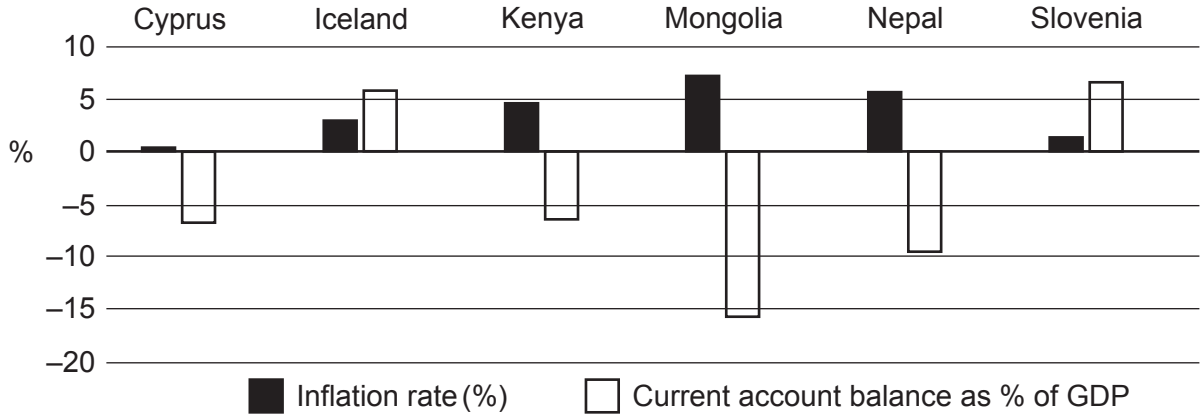


Fig. 1.1 Inflation rates (%) and current account balances (% of GDP) in selected countries 2019

The interest rate in Cyprus was very low in 2019. It was expected that this would influence the country's investment. Since 2015, some of the country's firms have become more capital-intensive. This change has affected Cyprus's productivity and may have influenced the standard of products produced.

In 2019, two concerns for the future of Cyprus's economy were that the quality of some of its agricultural land may decline and that some of its top entrepreneurs may emigrate.

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

1 **(a)** Calculate the number of births in Cyprus in 2019. [1]

(b) Identify **two** indicators of living standards. [2]

(c) State why the global market for grapes was in disequilibrium in 2019. [2]

(d) Explain **two** reasons why more well-educated workers tend to work past retirement age than less-educated workers. [4]

(e) Analyse how a rise in a country's retirement age is likely to affect its government's budget. [4]

(f) Analyse the relationship between inflation rates and current account balances. [5]

(g) Discuss whether or not, after 2019, Cyprus's production possibility curve (PPC) is likely to shift to the right. [6]

(h) Discuss whether or not adopting capital-intensive production will benefit consumers. [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 Australia's foreign exchange rate fluctuates. The value of Australia's exports is regularly greater than the value of its imports. Australia is Papua New Guinea's main trading partner. In 2019, the government of Papua New Guinea increased income tax to reduce its inflation rate. It used other policy measures to increase its economic growth rate.

(a) Define *foreign exchange rate*. [2]

(b) Explain **two** reasons why the value of a country's exports may be greater than the value of its imports. [4]

(c) Analyse how an increase in income tax can affect a country's inflation rate. [6]

(d) Discuss whether or not governments should aim for a high rate of economic growth. [8]

3 Trade union membership is much higher in Sweden than in most countries. In 2019, 70% of Swedish workers were members of a trade union. More than 85% of Swedish workers are employed in the tertiary sector, compared with only 2% in the primary sector. Swedish workers spend their incomes on a variety of products some of which, e.g. sweets, are demerit goods. Sweden has the 7th highest per head consumption of sweets in the world.

(a) Identify **two** influences on what products a person buys. [2]

(b) Explain **two** ways a government could decrease the consumption of demerit goods. [4]

(c) Analyse why workers may join a trade union. [6]

(d) Discuss whether or not tertiary sector workers are paid more than primary sector workers. [8]

4 Uganda specialises in agricultural products and has a relatively small secondary sector. In the 1990s, the Ugandan government privatised most of its firms, including banks and railways. Some economists thought this privatisation was unsuccessful because poverty increased and unemployment remained high. In recent years, the Ugandan government has used supply-side policy measures to reduce unemployment.

(a) Define *privatisation*. [2]

(b) Explain the difference between absolute poverty and relative poverty. [4]

(c) Analyse how specialisation can benefit firms. [6]

(d) Discuss whether or not the use of supply-side policy measures will reduce unemployment. [8]

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5 Singapore is a high-income country with a shortage of land and labour. Singapore is often given as an example of a market economy. The Singaporean government does, however, intervene in the economy. For example, it encourages its population to eat two servings of fruit and two servings of vegetables per day.

(a) Identify the reward to labour and the reward to land. [2]

(b) Explain how an increase in a worker's income can affect their mobility of labour. [4]

(c) Analyse, using a demand and supply diagram, how a greater awareness of the health benefits of eating fruit will affect the market for fruit. [6]

(d) Discuss whether or not a market economic system benefits an economy. [8]

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