Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **May/June 2023**

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: How will oil change Guyana?

Guyana fact file	2020
Population	790 000
Estimated optimum population	1 100 000
Proportion of population living in poverty	35%
Economic growth rate	26%
Unemployment rate	11%
Current account of the balance of payments	–$237m

Guyana was the fastest growing economy in the world in 2020. Sugar, gold and timber have accounted for a relatively high proportion of the country's output and exports for some time. In 2020, the sugar industry was hit by bad weather and falling global demand. In contrast, the output of gold and timber increased.

The main reason why Guyana's real GDP increased so rapidly was the increase in oil production. Oil was discovered offshore by a foreign multinational company (MNC) in 2015 and the MNC started production in 2019. It is predicted that Guyana will become the world's largest oil producer per head by 2025.

The Guyanese government is planning to use some of the tax revenue it will raise from oil to spend on education and improvements to the country's infrastructure. Planned projects include new railway lines and stations. A more extensive and cheaper rail service may enable more people to work further from home and may influence the market for substitutes, such as car transport. The Guyanese government is also planning to spend some of the tax revenue on improving the country's access to the internet. Table 1.1 shows GDP per head and internet access in seven countries in 2020.

Table 1.1 GDP per head and internet access in selected countries in 2020

Country	GDP per head ($)	Population with internet access (%)
Brazil	8717	72
Eritrea	643	2
France	40 494	83
Guyana	6160	39
Iceland	66 945	99
Morocco	3204	64
Zambia	1305	29

Guyana has experienced a slow growth in its population size in recent years. In 2020, its birth rate was 16.5, its death rate was 6.8 and its net migration rate was –7.7. With increases in oil production, emigration may decline and the country may start to experience net immigration. A higher population may affect Guyana in a number of ways including changing the size of its labour force and affecting the environment.

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

1 **(a)** Calculate the number of people who were living in poverty in Guyana in 2020. [1]

(b) Identify **two** causes of the decrease in the output of sugar in 2020. [2]

(c) Explain how economic growth is measured. [2]

(d) Explain **two** reasons why labour mobility may increase in Guyana in the future. [4]

(e) Draw a demand and supply diagram to show the effect of a decrease in the price of rail transport on the market for car transport. [4]

(f) Analyse the relationship between GDP per head and internet access. [5]

(g) Discuss whether or not the discovery of oil is likely to increase living standards in Guyana. [6]

(h) Discuss whether or not Guyana would benefit from an increase in the size of its population. [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 In 2020, the largest Thai commercial bank merged with a smaller commercial Thai bank. It was expected that the merger would affect the price charged for bank services and the amount that would be lent. Thai commercial banks operate in the private sector. A growing private sector can move an economy towards a market economic system.

(a) Identify **two** influences, other than price, on a customer's choice of bank. [2]

(b) Explain **two** reasons why a merger may result in higher prices for consumers. [4]

(c) Analyse how an increase in bank lending can benefit an economy. [6]

(d) Discuss whether or not a market economy allocates resources in the best possible way. [8]

3 Canada's private sector firms have a number of different objectives. The quantity and quality of land used by these firms, including farms, has increased. There has also been increased investment with the firms buying more capital goods. In 2021, the Canadian government encouraged higher investment and aimed to prevent a rise in unemployment.

(a) Identify **two** objectives of private sector firms. [2]

(b) Explain **one** reason why the quantity of land may increase and **one** reason why the quality of land may increase. [4]

(c) Analyse how an increase in investment may affect unemployment. [6]

(d) Discuss whether or not a government should try to prevent a rise in unemployment. [8]

4 In 2020, Australia had a high national minimum wage (NMW). The NMW is received by some people who work on Australian dairy farms. Australia produces milk and soft drinks. Milk is purchased by some people as an alternative to soft drinks. Some dairy farms and some small firms went out of business in 2020. The year saw an increase in the value of the country's floating foreign exchange rate.

(a) Identify **two** reasons why a government may set an NMW. [2]

(b) Explain **two** causes of an increase in the value of a country's floating foreign exchange rate. [4]

(c) Analyse how an increase in the price of milk may affect the revenue earned by milk producers and soft drinks producers. [6]

(d) Discuss whether or not small firms are more likely to go out of business than large firms. [8]

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5 In 2019, China's economic growth rate was 6.1% and Chinese households increased their spending. More Chinese people attended sports events and the earnings of top sportspeople increased. China exported more despite a rise in tariffs on some of its products. For example, the US imposed higher tariffs on the imports of Chinese tea and coffee.

(a) Identify the opportunity cost of households spending their income and the opportunity cost of Chinese firms exporting goods and services. [2]

(b) Explain **two** reasons why some top sportspeople have high earnings. [4]

(c) Analyse the reasons for imposing tariffs on imports. [6]

(d) Discuss whether or not a country with a high economic growth rate will have a deficit on the current account of its balance of payments. [8]

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