UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2010**

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.

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Section A

Answer this question.

1 The Asian Development Bank meets in Indonesia

In 2009, the Asian Development Bank, representing 67 member countries, held its annual meeting in Bali, Indonesia. It warned that 61 million people in Asia would remain trapped in extreme poverty because of the global downturn and that this figure could double if slow growth continued for the next few years.

It reported that many governments in Asia, especially those in Japan, South Korea and China, were using fiscal policy to try to stimulate economies in the region. The Japanese Finance Minister stated that, 'the Asian region needs to increase domestic demand to avoid economic downturn.' Public spending on health care and state benefits, for example, could be a crucial step to boosting confidence and reducing the human cost of such an economic downturn.

Some observers at the meeting, held at an international convention centre surrounded by five star hotels, commented that these luxury hotels provided a clear contrast to the poverty experienced throughout Asia. More than 900 million people in Asia live on US$1.25 or less a day.

(a) (i) Define fiscal policy. [2]

(ii) Explain how fiscal policy could be used to increase domestic demand. [4]

(b) Assess whether public spending on health care or public spending on state benefits would be more successful in stimulating an economy. [4]

(c) Explain **two** possible reasons why so many people in Asia have to live on US$1.25 or less a day. [4]

(d) Discuss the possible effectiveness of government policies, other than spending on health care and state benefits, in reducing poverty. [6]

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Section B

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

2 The economic problem exists everywhere in the world, whatever type of economic system a country may have.

(a) Giving an example of each, define the **four** factors of production. [4]

(b) Explain the nature of the economic problem. [4]

(c) Compare how resources are allocated in market and mixed economic systems. [4]

(d) Discuss whether people living in a country would benefit if their country's economic system changed from a mixed to a market economy. [8]

3 Money, in terms of how we earn it, spend it and save it, is of fundamental importance to everybody.

(a) Describe the functions of money. [4]

(b) Analyse, with the aid of a demand and supply diagram, the effect of an increase in demand for air travel on the wages of pilots. [6]

(c) Describe how an individual's earnings are likely to change over their lifetime. [3]

(d) Discuss why some individuals spend less than their income whilst others spend more. [7]

4 In Brazil, firms vary in size from the very small to the very large.

(a) Describe the main characteristics of a multi-national company. [4]

(b) Explain the reasons why small firms continue to exist in all economies. [6]

(c) Discuss the advantages and disadvantages of monopoly. [10]

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[Turn over

5 Most countries are faced with economic problems including unemployment and inflation.

(a) Describe what is meant by full employment. [3]

(b) Explain the different types of unemployment that can exist in an economy. [6]

(c) Describe the main features of a retail (consumer) price index. [5]

(d) Discuss whether inflation is always harmful. [6]

6 Changes in population have a significant effect on many countries.

(a) (i) What is meant by net migration? [2]

(ii) Identify **two** other factors that influence the size of a country's population. [2]

(b) Compare the consequences of population growth for developing and developed countries. [6]

(c) Discuss whether a change in the occupational structure of a country would be beneficial for the economy. [10]

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

(b) Explain the policies a government could use to reduce a deficit on the current account of the balance of payments. [6]

(c) What is meant by specialisation? [4]

(d) Discuss the benefits and disadvantages of specialisation at the national level. [6]

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