UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2013**

2 hours

Additional Materials: Answer Booklet/Paper

6835725955

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.

© UCLES 2013

Section A

Answer this question.

1 Prices rise faster than wages in the United Kingdom (UK)

Household incomes in the UK have suffered their largest fall in three decades. Real disposable incomes fell by 0.8% in 2010.

Wages often rise faster than prices, but the problem in 2010 was that wage increases failed to keep up with price increases. This meant that many people suffered effective pay cuts in real terms. The rate of inflation, as measured by the UK Consumer Prices Index, was 4.0% in 2010.

The Bank of England, the UK's central bank, stated that the rate of inflation would eventually start to fall but that, in the meantime, people could expect to continue to suffer from a fall in real incomes for the next few years.

It was thought that the Bank of England might raise interest rates to control inflation. However, such a measure might badly affect many people who would have to pay more for their borrowing.

(a) Define the term 'disposable incomes'. [2]

(b) Explain how a consumer prices index is constructed. [5]

(c) Explain how individual workers can try to increase their wages above the rate of inflation. [5]

(d) Discuss to what extent a rise in interest rates would be to the advantage of UK workers. [8]

© UCLES 2013

Section B

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

2 An entrepreneur plans to cut down timber in a rainforest. The local community, however, are concerned that the social costs will be greater than the social benefits.

(a) Define the factor of production, enterprise. [4]

(b) Distinguish between the social benefits and the social costs involved in this example. [6]

(c) Discuss whether a resource, such as a rainforest, should be conserved rather than used. [10]

3 A person is choosing between different occupations and realises that there are both wage and non-wage factors that need to be taken into account.

(a) Describe the non-wage factors that can influence a person's choice of occupation. [4]

(b) Explain the different forms of payment that a worker can receive. [4]

(c) Consider the likely changes in earnings over an individual's lifetime. [3]

(d) Discuss whether a worker in the services sector is always likely to receive a higher wage than one in the manufacturing sector. [9]

4 Perfect competition is one type of market structure with a number of distinctive characteristics. It is often compared favourably with monopoly.

(a) Analyse **three** characteristics of perfect competition. [6]

(b) Distinguish between a firm that is a price taker and one that is a price maker. [4]

(c) Discuss whether pricing and output policies in perfect competition are more favourable to the consumer than those in monopoly. [10]

5 There are usually many different taxes in an economy and they can be divided into direct and indirect taxes.

(a) Explain what is meant by a regressive indirect tax. [4]

(b) Using a demand and supply diagram, analyse how an increase in tax on fuel can affect the equilibrium price and equilibrium quantity of fuel. [6]

(c) Discuss the extent to which a direct tax, such as income tax, can affect the distribution of income in an economy. [10]

© UCLES 2013

6 It is not only the size of a country's population that concerns economists, but also its age distribution.

(a) Describe **three** possible causes of the growth of a country's population. [6]

(b) Explain how the rate of population growth may differ between a developed country and a developing country. [4]

(c) Explain what is meant by an ageing population. [2]

(d) Discuss to what extent an ageing population is a serious economic problem. [8]

7 There are strong arguments in favour of free trade and yet many countries still use various forms of trade protection.

(a) Explain **three** potential benefits of free trade. [6]

(b) Distinguish between quotas and exchange controls as methods of trade protection. [4]

(c) Explain how a subsidy could be used to protect an industry from foreign competition. [4]

(d) Discuss whether the protection of a declining and inefficient industry in a country can ever be justified. [6]

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 2013