Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2019**

2 hours 15 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An Answer Booklet is provided inside this Question Paper. You should follow the instructions on the front cover of the Answer Booklet. If you need additional answer paper ask the invigilator for a Continuation Booklet.

Section A
Answer Question 1.

Section B
Answer any **three** questions.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **5** printed pages, **3** blank pages and **1** Insert.

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Section A

Answer this question.

1 Driverless cars and advances in technology

It is predicted that driverless cars, powered by electricity, will be on the roads by 2030. Driverless cars have already been tried out on the roads in some cities, including Pittsburgh in the USA. It is thought that driverless cars will reduce accidents, will have lower repair costs and will create less pollution.

At first, the supply of driverless cars may exceed the demand, but it is expected that they will soon grow in popularity. As more driverless cars come into use, the demand for bus travel and petrol stations may decline, and some taxi drivers may be made redundant. In contrast, the increased access to transport that driverless cars will give to people, including the elderly, is likely to increase demand for out of town restaurants and places of entertainment.

It has been forecast that the technology being developed in connection with driverless cars will make the supply of them elastic. It is predicted that an 8% rise in the price of driverless cars would cause a 20% rise in the quantity supplied.

Advances in technology and the replacement of workers by machines are forecast to destroy 80 million jobs in the USA. Job losses are also forecast in other countries and trade unions are likely to be less able to resist these due to a fall in membership and governments reducing the power of trade unions. Among the jobs thought to be at risk are accountants, train drivers and financial advisers. Demand for workers in other occupations, including doctors and dentists, may increase but there is a risk that unemployment may rise. The more educated workers are, the more easily they can move from one occupation to another. Table 1.1 shows education spending as a percentage (%) of GDP and the unemployment rate in selected countries.

Table 1.1 Education spending and the unemployment rate in selected countries

Country	Education spending as a % of GDP	Unemployment rate (%)
Argentina	5.3	8.0
Brazil	5.8	13.5
Ghana	6.5	12.0
New Zealand	7.3	4.8
South Africa	6.0	26.0
USA	8.2	4.7

Jobs selling houses and flats may decline but it is expected that the demand for building workers may increase. Some people welcome house building in their area but others oppose it.

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(a) Identify, from the extract, **two** pairs of substitutes. [2]

(b) Explain, using information from the extract, whether the market for driverless cars is expected to be in equilibrium in 2030. [2]

(c) Calculate, using information from the extract, the price elasticity of supply (PES) of driverless cars. [2]

(d) Explain, using information from the extract, **two** external costs that driverless cars could reduce. [4]

(e) Analyse, using Table 1.1, the relationship between educational spending and the unemployment rate. [5]

(f) Discuss whether or not an increase in house building will benefit the people who live in the area. [5]

(g) Explain, using information from the extract, **two** reasons why the power of trade unions may decline in the future. [4]

(h) Discuss whether or not a rise in unemployment is harmful. [6]

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Section B

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

2 It is predicted that the UK economy will avoid another recession in the next two decades and that its population will increase significantly by 2040. Most of this predicted increase will come from immigration. By 2040, it is also expected that one in twelve people will be aged over 80. A number of countries, including some low-income countries, may have a more rapid population growth rate than high-income countries.

(a) Identify **two** reasons why people are living longer. [2]

(b) Explain **two** reasons why net immigration may increase the standard of living in a country. [4]

(c) Analyse how fiscal policy could be used to stop a recession. [6]

(d) Discuss whether or not low-income countries have a faster rate of population growth than high-income countries. [8]

3 In 2015, the Malaysian government set out its objectives to increase productivity and savings. There has been higher consumer expenditure, driven in part by higher wages received mainly by older workers. However, low levels of savings remain a concern. Savings provide funds for investment (spending on capital goods) which contributes to economic growth and can influence inflation.

(a) Identify **two** ways a government could encourage saving. [2]

(b) Explain **two** reasons why productivity may increase. [4]

(c) Analyse how an increase in investment could influence inflation. [6]

(d) Discuss whether or not older workers are paid more than young workers. [8]

4 Mali is a developing country. Its Human Development Index (HDI) rose from 0.297 in 2000 to 0.442 in 2016. Most of Mali's workers are employed in agriculture and cotton is the country's main agricultural crop. The country's main export, however, is gold. The country is the third largest exporter of gold in Africa.

(a) Identify **two** components of the HDI. [2]

(b) Explain how the proportion of a country's resources devoted to the primary, secondary and tertiary sectors change as its economy develops. [4]

(c) Analyse, using a demand and supply diagram, how a fall in the price of cotton would affect the market for cotton shirts. [6]

(d) Discuss whether or not an increase in the size of a country's gold mining industry will benefit an economy. [8]

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5 In May 2017, the price of olive oil rose by more than 10%. This was caused by a drought in Greece, Italy, Spain and Tunisia, the major producing countries. Global supply was forecast to fall by 14% in 2017. Demand for olive oil fell in Europe, but rose in a number of other countries including Australia, Brazil and China. Some basic food items, including bread and rice, are taxed in some countries but are subsidised in other countries.

(a) Identify **two** examples of land used in growing agricultural crops. [2]

(b) Explain why the concept of price elasticity of supply (PES) may be useful to a government in deciding whether to subsidise the production of a product. [4]

(c) Analyse why the demand for a product may be higher in one country than in another country. [6]

(d) Discuss whether or not the government should influence the production of basic food items, such as bread or rice. [8]

6 The Indian government subsidises the country's exports of cotton textiles. The USA, the largest buyer of Indian cotton textiles, benefited from this. India planned to stop the subsidy by 2019. This was welcomed by other cotton textile exporters. The USA may not be much affected, in part, because income usually rises in the country. The value of the Indian rupee against the US dollar was relatively stable in this period but rose slightly in mid-2017.

(a) Identify the difference between an export and an import. [2]

(b) Explain how a rise in the income of its main trading partners may affect a country's trade in goods balance. [4]

(c) Analyse how a rise in a country's foreign exchange rate may affect its unemployment rate. [6]

(d) Discuss whether or not a government should subsidise its exports. [8]

7 More agricultural markets come close to perfect competition than markets for manufactured goods and for services. The goals of business organisations can vary between markets, and within markets. In 2017, the Nigerian government used supply-side policy measures to influence the goals and performance of firms in a range of markets and to lower firms' average costs of production.

(a) Identify **two** characteristics of perfect competition. [2]

(b) Explain **two** goals a business organisation may have. [4]

(c) Analyse the main reasons for the differences in the size of firms. [6]

(d) Discuss whether or not the use of supply-side policy measures by a government will reduce firms' average costs of production. [8]

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