Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

ECONOMICS **2281/23**

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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Cambridge Assessment International Education

Section A

Answer this question.

1 A new capital for Zambia?

Zambia is a middle-income country but one with 60% of its population of 15 million living below the poverty line. In 2017, the Zambian government announced that it was planning to move the country's capital from Lusaka in the south of the country to Ngabwe, a village in the centre of the country. Ngabwe currently lacks good roads and other infrastructure. A move to Ngabwe, however, may help the country to cope with its high rate of population growth and encourage entrepreneurs to set up new businesses in that area. In 2017, the country had a zero net migration rate, a birth rate of 41.8, a death rate of 12.4, and a life expectancy of 52.5 years.

Zambia's economic growth rate averaged 6.8% between 2004 and 2014. This rate fell after 2014 due, in part, to a depreciation in the kwacha, Zambia's currency. The reduction in the foreign exchange rate of the kwacha contributed to the rise in the country's inflation rate from 10.1% in 2015 to 20.6% in 2016.

In 2017, the labour force of 7.2 million accounted for 48% of the country's population. Workers are employed in a range of industries including agriculture, banking, building, copper mining, and emerald mining. Fig. 1.1 shows the relationship between copper output and revenue from the sale of copper, the index for 2010 is 100.

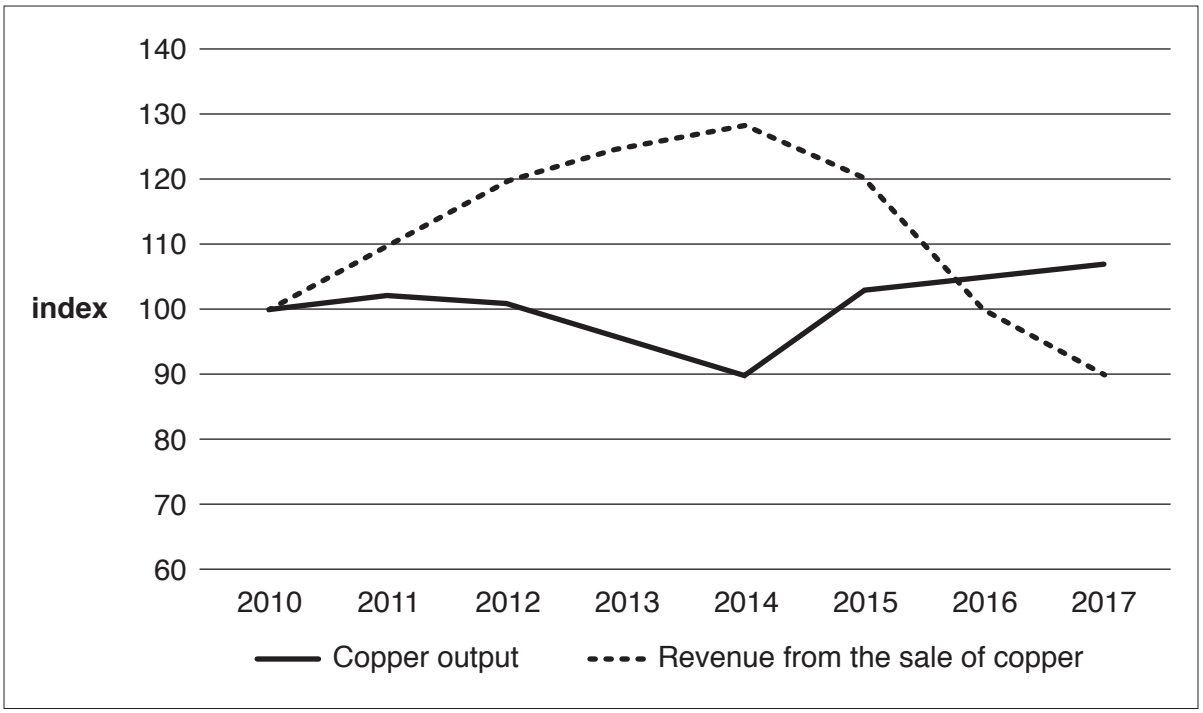


Fig. 1.1 Copper output and revenue from the sale of copper 2010—17 (index numbers)

In 2017, Zambia's central bank reduced commercial bank lending. This lowered investment and household borrowing. Government spending rose more slowly and some cuts were made to the government's spending on training.

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(a) Identify, from the extract, **two** primary sector industries. [2]

(b) Calculate, using information from the extract, how many people in Zambia lived in poverty in 2017. [2]

(c) Explain, using information from the extract, why Zambia had a high rate of population growth in 2017. [2]

(d) Explain, using information from the extract, why a depreciation of the kwacha harmed the Zambian economy. [4]

(e) Analyse, using Fig. 1.1, the relationship between copper output and revenue from the sale of copper. [5]

(f) Discuss whether or not a central bank should reduce commercial bank lending. [5]

(g) Explain, using information from the extract, **two** reasons why productivity may have been low in Zambia. [4]

(h) Discuss whether or not building a new city will benefit an economy. [6]

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Section B

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

2 Between 2007 and 2017, the average wage in China tripled, while it fell in Brazil. The rise in average wage in China was particularly high in the tertiary sector. Farm workers experienced a smaller rise. In June 2017, unemployment in China was only 4% while it was 13.5% in Brazil. Despite the lower unemployment, China's inflation rate was lower than that of Brazil.

(a) Define *tertiary sector* and give an example of an industry operating in the tertiary sector. [2]

(b) Explain **two** reasons why farm workers may be low-paid. [4]

(c) Analyse how lower unemployment may cause inflation. [6]

(d) Discuss whether or not a country with high wage rates will have a high unemployment rate. [8]

3 The food items people buy can be influenced by taxes, subsidies and health reports. A report published in 2017 outlined the health benefits of eating tomatoes including improved vision and reduced risk of heart disease. Egypt is a major producer of tomatoes and it also produces a large amount of cement. Cement is a product with price-inelastic demand. Egyptian cement producers have introduced more capital-intensive production methods.

(a) Identify the difference between *a tax* and *a subsidy*. [2]

(b) Explain **two** reasons why demand for a product may be price-inelastic. [4]

(c) Analyse, using a demand and supply diagram, the effect a report stating that eating tomatoes is good for health will have on the market for tomatoes. [6]

(d) Discuss whether or not introducing more capital-intensive production methods will increase a firm's profits. [8]

4 Australia's economic growth rate has fallen in recent years. Its Human Development Index (HDI), however, is high and in 2016, Australia had the second highest HDI in the world. The Australian government hopes that the country's birth rate will rise from a low of 12.1 in 2016. An increasing proportion of Australian children are going to private sector schools. Their parents have to pay a fee for them to attend these schools.

(a) Identify the difference between *economic growth* and *recession*. [2]

(b) Explain how the HDI compares living standards between countries. [4]

(c) Analyse the effects of a rise in a country's birth rate. [6]

(d) Discuss whether or not parents should have to pay a fee to send their children to school. [8]

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5 Angola is an African country without a stock exchange. In contrast, South Africa has the most active stock exchange in Africa. Firms in South Africa are also much larger than firms in Angola and South African firms undertake more borrowing from commercial banks. Both countries do, however, have a low saving rate which could be increased if the rate of interest was raised.

(a) Define *saving*. [2]

(b) Explain **two** benefits a country can gain from having a stock exchange. [4]

(c) Analyse how firms may be affected by a rise in the rate of interest. [6]

(d) Discuss whether or not an economy will benefit from its firms getting larger. [8]

6 It has recently been revealed that a king works as a part-time pilot for a multinational airline. Some pilots and police officers have left their jobs to become teachers and others have left to become sole traders. The wages teachers earn vary according to their age.

(a) Define *wages*. [2]

(b) Explain why the opportunity cost of becoming a teacher for one worker may be greater than for another worker. [4]

(c) Analyse how an individual's earnings are likely to change over her or his lifetime. [6]

(d) Discuss whether most people would prefer to work for a multinational company (MNC) or a sole trader. [8]

7 In 2016, France had a trade in services deficit. France is a rich, developed country with a high standard of living. The country is, however, facing several challenges including population problems. Also, after elections in 2017, politicians and economists debated whether the country should try to move towards freer international trade.

(a) Define *a trade in services deficit*. [2]

(b) Explain **two** population problems a rich, developed country may experience. [4]

(c) Analyse how a move to freer international trade may benefit a country's producers. [6]

(d) Discuss whether or not the standard of living is higher in developed countries than in developing countries. [8]

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