Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/23**

Paper 2 Structured Questions **October/November 2021**

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: Changing eating habits

Obesity fact file 2016		
Country	Population (million)	Obesity % (percentage of population overweight)
Senegal	15	9
UK	65	28
US	330	36

Concerns about health, obesity and animal welfare have risen in high income countries. This led to an increase in vegetarianism (not eating meat) and veganism (not eating meat, eggs or dairy) in high income countries. In 2017, veganism increased in the UK by 20%. As incomes rise in the UK, people are more likely to eat vegan food. Advertising vegan food has encouraged its consumption.

It is claimed that eating vegan food can improve people's health. Healthier workers can produce more, and better quality, products. Eating less meat and dairy products can also improve the environment. Farm animals emit greenhouse gases and their waste products add to water pollution.

While meat consumption per person is falling in high income countries, it is rising in low income countries. Fig. 1.1 shows average daily calorie intake consumed in Senegal, a west African country, and in the US, by food groups in 2015. The recommended daily calorie intake is 2800.

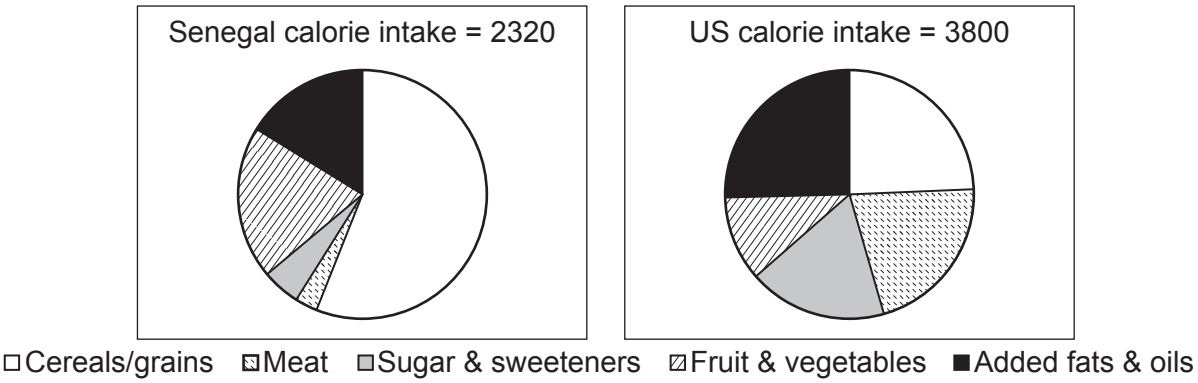


Fig. 1.1 Average daily calorie intake in Senegal and the US by food groups in 2015

To respond to changes in the type of food that people are eating, it is useful if workers are mobile. Generally, the greater labour mobility, the more efficient the labour market becomes in adjusting to changes in demand, and the supply of workers. This helps a country's international performance in trade of goods.

As some people in Africa are malnourished, eating more food of any type, including meat, may make them healthier. A rise in meat consumption will increase demand for vets (for animal welfare) and transport firms. It can also increase the number of meat processing firms.

Senegal has a high unemployment rate and a low income per head. It has recently experienced a fall in consumer expenditure. New industries and new jobs would help to stop Senegal experiencing a recession. A rise in government spending may also be needed. The high birth rate and rising population also puts pressure on the government to spend more. Emigration is, however, reducing tax revenue while providing some Senegalese with useful employment experience.

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

1 **(a)** Calculate the number of obese people in the UK in 2016. [1]

(b) Identify **two** reasons why the demand for vegan food has increased in the UK. [2]

(c) Explain **one** external benefit that may arise from eating less meat. [2]

(d) Explain how food consumption in Senegal differed from the US in 2015. [4]

(e) Analyse how an increase in labour mobility could improve the performance of a country's trade in goods. [4]

(f) Analyse how an increase in meat consumption could benefit African economies. [5]

(g) Discuss whether or not an increase in Senegalese government spending will stop the country experiencing a recession. [6]

(h) Discuss whether or not emigration would reduce poverty in Senegal. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answers you may refer to the material and/or to other examples you have studied.

2 In 2018, 54% of Russia's population was female and the government announced plans to raise the state retirement age. In Russia, the role of the price mechanism to answer key resource allocation questions is increasing. However, the Russian government raised indirect taxes, partly to reduce market failure.

(a) Identify **two** reasons why a country may have more women than men in its population. [2]

(b) Explain **two** advantages of raising the retirement age. [4]

(c) Analyse how the price mechanism answers the three key resource allocation questions. [6]

(d) Discuss whether or not indirect taxation can reduce market failure. [8]

3 South Africa has a high number of unemployed workers. South Africa's inflation rate has been stable in recent years, partly due to relatively stable wages. An increase in wages can cause inflation and can increase the number of consumer goods bought and produced. To increase employment and reduce the deficit on the current account of South Africa's balance of payments, some economists suggest more foreign multinational companies (MNCs) should be encouraged to produce in South Africa.

(a) Identify **two** ways unemployment is measured. [2]

(b) Explain **two** ways an increase in wages can cause inflation. [4]

(c) Analyse, using a production possibility curve (PPC), the opportunity cost to an economy of producing more consumer goods. [6]

(d) Discuss whether or not an increase in foreign MNCs will reduce a deficit on the current account of the balance of payments of a host country. [8]

4 Norway has engaged in free trade to a greater extent in recent years. The country operates a floating foreign exchange rate. There has been a change in the pattern of employment in Norway. For example, more Norwegians now work in jobs requiring a university degree. Some of these graduates work as economists and lawyers dealing with mergers between firms. In 2017, there were 332 mergers, an increase of 23% on the previous year.

(a) Identify **two** benefits of free trade. [2]

(b) Explain **two** differences between a floating foreign exchange rate and a fixed foreign exchange rate. [4]

(c) Analyse how a change in the pattern of employment in a country may change its average wage. [6]

(d) Discuss whether or not a government should stop firms merging. [8]

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5 Industries and markets are changing in Vietnam. There is greater use of division of labour in a range of industries. Many markets are becoming more competitive, causing some firms to make losses. Manufacturing was Vietnam's strongest sector in 2018, when manufacturing output increased by 13%.

(a) Define *division of labour*. [2]

(b) Explain **two** reasons why a loss-making firm may continue to produce. [4]

(c) Analyse the advantages that consumers may gain from a competitive market. [6]

(d) Discuss whether or not an increase in a country's manufacturing output will increase its economic development. [8]

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