Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2023**

2 hours 15 minutes

2956944500

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: Will Honduras become a more successful economy?

Honduras fact file	2020
Population	10 m
Population without access to electricity	0.83 m
Unemployment rate	6.1%
Inflation rate	4.2%
Government budget deficit as % of GDP	9.5%

Honduras is a lower middle-income country which relies heavily on trade with the US. More than half of Honduran exports go to the US and 40% of its imports come from the US. A high number of Hondurans work in the US and send money back home to their relatives.

Honduras used to concentrate on growing bananas and coffee, gaining skills and a good reputation in those industries. Now, Honduras produces a greater range of products including clothes, chemicals and paper. This diversification has reduced the uncertainty arising from sudden changes in demand and supply. For example, tariffs could be imposed on Honduran coffee or there could be a report stating that eating bananas is good for health.

While employment is declining in agriculture, it is increasing in the clothes industry in Honduras. Training for workers in the clothes industry is expected to increase and working conditions to improve. The firms are also using more capital goods. It is, however, uncertain what will happen to the prices of cotton, wool and other materials used to make clothes.

A successful clothes industry has the potential to reduce poverty in Honduras. The Honduran government tries to reduce poverty by, for example, providing unemployment benefit. A major reason for the government seeking to lower poverty is to increase life expectancy. Table 1.1 shows levels of poverty (percentage of population living on less than $1.90 a day) and life expectancy in selected countries.

Table 1.1 Percentage of population living in poverty and life expectancy in selected countries

Country	% of population living in poverty	Life expectancy (years)
Chad	38.1	54
Honduras	16.9	75
Kenya	37.1	66
Maldives	3.5	79
South Sudan	44.7	58
Sweden	0.2	83

A more successful Honduran economy would raise incomes. The country has a progressive income tax system, so there could be a significant rise in tax revenue. A more successful economy would also be likely to encourage more investment. Unemployment would be expected to fall which, in turn, could influence consumer spending.

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

1 **(a)** Calculate what percentage of Honduran people did **not** have access to electricity in 2020. [1]

(b) Identify **two** benefits the Honduran economy could gain from a growth in the US economy. [2]

(c) Explain **one** advantage of an economy specialising. [2]

(d) Explain **two** ways a government could redistribute income. [4]

(e) Draw a demand and supply diagram to show how a report stating that bananas are good for health would affect the market for bananas. [4]

(f) Analyse the relationship between the percentage of population living in poverty and life expectancy. [5]

(g) Discuss whether or not the cost of producing clothes in Honduras will fall in the future. [6]

(h) Discuss whether or not a fall in unemployment in Honduras is likely to cause inflation. [6]

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Section B

Answer any **three** questions.

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

2 Botswana uses both capital goods and labour in its diamond mining industry. The country had an average economic growth rate of 3.8% between 2015 and 2019 compared to a global average of 2.8%. Over this period, the country experienced a low inflation rate and a move away from protectionism and towards free international trade.

(a) Define, with an example, *a capital good*. [2]

(b) Explain **two** reasons why a low inflation rate may increase a country's economic growth rate. [4]

(c) Analyse how a government could reduce protectionism and move towards free international trade. [6]

(d) Discuss whether or not a country will benefit from diamond mining. [8]

3 In 2020, some firms in Suriname, a South American country, stopped production. This was because the firms could not cover their variable costs, as well as some of their fixed costs. The reduction in the country's output resulted in a rise in its unemployment rate. The government used supply-side policy measures to reduce unemployment. In 2021, the number of firms in some markets fell again, but this time it was when output was rising.

(a) Define, with an example, *a fixed cost*. [2]

(b) Explain **two** types of unemployment. [4]

(c) Analyse how supply-side policy measures could reduce unemployment. [6]

(d) Discuss whether or not having fewer firms in a market will benefit consumers. [8]

4 In the US, the supply of meat from emus, a large bird, is price-elastic. Recently, US farmers have switched to keeping other livestock and growing crops that changed their demand for labour. US farmers are influenced by the subsidies the government provides for the production of selected food items. Some people are reluctant to become farm workers as they think living standards are low in rural areas.

(a) Define *elastic supply*. [2]

(b) Explain **two** reasons why a government may subsidise food production. [4]

(c) Analyse what influences a farmer's demand for labour. [6]

(d) Discuss whether or not people living in cities have a higher living standard than those living in rural areas. [8]

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5 In 2020, Singapore experienced a decrease in both its population size and its labour force. 2020 was a year of great change in a number of Singaporean markets. Some moved from disequilibrium to equilibrium. Despite all these changes, Singapore managed to increase its exports of goods and services.

(a) Identify **two** benefits of a decrease in a country's population size. [2]

(b) Explain how a market moves from disequilibrium to equilibrium. [4]

(c) Analyse, using a production possibility curve (PPC) diagram, the effect of a decrease in the size of a country's labour force on its economy. [6]

(d) Discuss whether or not an increase in exports will benefit an economy. [8]

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