

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

ECONOMICS 0455/02

Paper 2 Structured Questions May/June 2009

2 hours

Additional Materials: Answer Booklet/Paper

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

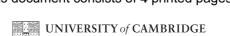
Answer any three questions.

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.



© UCLES 2009



International Examinations

Section A

Answer this question.

1 Economic Growth in Uganda

In 2007 there were 27.7 million people in Uganda. It was reported that by 2025 the population was expected to almost double, making Uganda the country with the fastest increase in population in the world. There was concern that with limited employment, health care and education in Uganda, such an increase in population would result in increased poverty. However, the President of Uganda said that the country was under-populated and that the population increase would result in a bigger internal market and a larger workforce which would improve economic prospects and economic growth.

- (a) Explain what is meant by economic growth. [4]
- (b) Discuss why many countries aim to increase economic growth. [4]
- (c) Identify **two** macro-economic aims, apart from economic growth, that a government may have, and explain why a government might think these aims are important. [6]
- (d) Discuss whether you agree with the President of Uganda that an increase in population causes an increase in the workforce which would improve economic growth. [6]

© UCLES 2009 0455/02/M/J/09

Section B

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

2	A c	A company produces cigarettes which it believes have a low price elasticity of demand.		
	(a)	Explain what is meant by price elasticity of demand.	[4]	
	(b)	How might knowledge of price elasticity be of use to a producer?	[6]	
	(c)	Some countries have now prohibited smoking in public areas in buildings. Use the concept of private and social costs and benefits to explain this policy.	ots [6]	
	(d)	Discuss what effect the policy of prohibiting smoking in public areas might have on the manufacturers of cigarettes.	he [4]	
3	inve	2007, it was reported that a trade union of post office workers feared that increased capit estment would mean more automation and job losses. The union demanded that manage by higher wages and shorter working hours for its members.		
	(a)	Explain what is meant by the factors of production and identify which factors are involved the above statement.	in [4]	
	(b)	Describe the functions of a trade union.	[6]	
	(c)	What is meant when an industry is said to become more capital-intensive rather than labor intensive?	ur- [3]	
	(d)	Discuss whether increased automation is likely to make it easy for the union to achieve be of its demands in the statement above.	oth [7]	
In the same industry there are often firms of different sizes. Sometime another firm.		the same industry there are often firms of different sizes. Sometimes a firm integrates with the firm.	ith	
	(a)	What is the difference between horizontal and vertical integration?	[4]	
	(b)	Contrast the characteristics of two types of business organisation.	[6]	
	(c)	Discuss whether the growth of a firm is advantageous for both the firm and consumers. [1	0]	

- 5 Many governments have increased their spending on police and armed forces but there is an opportunity cost of this policy.
 - (a) Explain the term opportunity cost and discuss why an increase in spending on police and armed forces may result in an opportunity cost. [4]
 - (b) Discuss whether such government spending could be a result of market failure. [6]
 - (c) Sometimes governments do not provide goods and services but they still influence the activities of private firms. Analyse how they might do this. [10]
- **6** (a) What is meant by inflation? [4]
 - (b) Explain how a government might calculate the rate of inflation in its economy. [6]
 - (c) How might inflation affect a person's spending, saving and borrowing? [10]
- 7 Countries sometimes establish agreements with each other to encourage free trade by abolishing tariffs or quotas on trade between them.
 - (a) Distinguish between a tariff and a quota. [4]
 - **(b)** Analyse the possible link between the level of tariffs and international specialisation. [4]
 - (c) Analyse the advantages of trading without tariffs and quotas. [6]
 - (d) There is sometimes opposition to the removal of a tariff. Analyse how this might be justified.
 [6]

Copyright Acknowledgements:

Question 1 © Xan Rice; *The Guardian*, 01 September 2006.

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 2009 0455/02/M/J/09