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Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

Paper 2 Structured Questions **May/June 2021**

2 hours 15 minutes

1581055605

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: Morocco's blue economy

Morocco fact file	2017
GDP	$109 billion
Contribution of fishing industry to GDP	2%
Population	35.74 million
Continent	Africa

The World Bank defines a 'blue economy' as an economy which uses ocean resources sustainably for economic growth and creates employment to improve the livelihoods of its people. Making full use of the blue economy may reduce the level of poverty among fishermen. Many fishermen globally still live in poverty due to low wages and seasonal and structural unemployment.

Morocco is the leading supplier of fish in Africa. Despite the length of the Moroccan coastline, the fishing industry currently makes a very small contribution to Morocco's GDP. The government, therefore, wants to further increase the size of the fishing industry. Policy measures, such as subsidies to fishermen, could help Moroccan fishermen increase productivity and reduce competition from abroad.

The United Nations' Food and Agricultural Organisation (FAO) forecasts that Moroccan fisheries' output could rise to nearly 2 million tonnes of fish per year by 2030. The global demand for fish is also on a steep upward trend as more people see the benefits of eating fish rather than meat. Such increases could help reduce the deficit on Morocco's current account of its balance of payments.

Increased dependence on the primary sector may not improve living standards in Morocco because some other countries who have done the same have had disappointing outcomes. Fig. 1.1 shows the GDP per head ($) and percentage (%) contribution of the primary sector to GDP of selected countries.

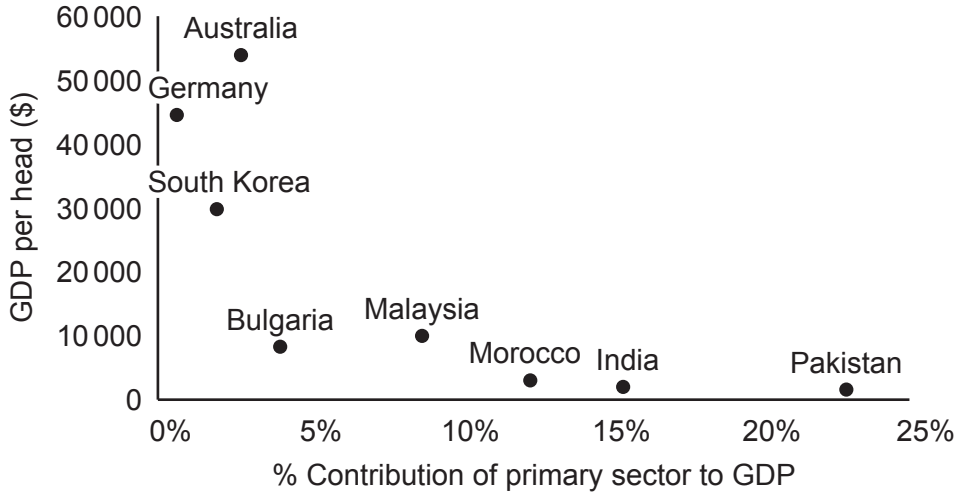

Fig. 1.1 GDP per head ($) and % contribution of primary sector to GDP of selected countries

Environmentalists worry that there is no proper regulation of fishing in Morocco. If overfishing occurs, fish stocks would be reduced for future generations. However, if fish stocks are maintained, the economy can continue its high economic growth rate. At a time when African countries are reducing trade protection, a sustainable fishing industry could be very positive for Morocco's future.

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

1 **(a)** Calculate, in $s, the contribution of the fishing industry to Morocco's GDP in 2017. [1]

(b) Identify **two** macroeconomic aims, other than balance of payments stability, that the Moroccan government could achieve through the blue economy. [2]

(c) Explain why an increase in the global demand for fish could reduce a deficit in Morocco's current account of its balance of payment. [2]

(d) Explain **two** causes of poverty amongst fishermen. [4]

(e) Analyse whether GDP per head always increases when the percentage (%) contribution of the primary sector increases. [4]

(f) Analyse how regulation of fishing could ensure economic growth is sustained for future generations. [5]

(g) Discuss whether or not subsidies to fishermen could help the Moroccan economy. [6]

(h) Discuss whether or not a reduction in trade protection by other African countries would be beneficial for Morocco. [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 Latvia is one of the fastest growing economies in Europe. Although its GDP per head is below the European average, it is quickly catching up. Living standards are improving. At the same time, a decrease in borrowing has reduced the chance of high inflation. The job market is also improving as the unemployment rate is falling. However, there are concerns that there might be less balance of payments stability.

(a) Identify **two** indicators of living standards. [2]

(b) Explain how a decrease in borrowing could reduce the chance of high inflation. [4]

(c) Analyse how economic growth conflicts with balance of payments stability. [6]

(d) Discuss whether or not having a lower GDP will be a disadvantage to an economy. [8]

3 Cyclical unemployment is below the national average in some big cities in Canada such as Toronto, Vancouver, and Montreal. This could be a result of higher government spending and tax cuts in big cities. However, productivity is low. There are also concerns that structural unemployment may increase as some industries cannot compete with more efficient foreign firms.

(a) Define *structural unemployment*. [2]

(b) Explain **two** causes of low productivity. [4]

(c) Analyse how higher government spending and tax cuts can lead to a fall in cyclical unemployment. [6]

(d) Discuss whether or not competition between firms in the same industry is always a disadvantage to workers. [8]

4 Global spending on the health sector, by both the private and public sectors, is the highest compared with all other sectors including education and defence. Investment in education and the health sector has resulted in new life-saving technology being introduced. However, demand for certain vaccinations has decreased over the years, shifting the demand curve of vaccinations to the left.

(a) Define *investment*. [2]

(b) Explain **two** causes of a shift of a product's demand curve to the left. [4]

(c) Analyse, using a production possibility curve diagram (PPC), the effect of increased investment in both education and the health sector. [6]

(d) Discuss whether consumers would benefit more from healthcare being provided by the private sector or the public sector. [8]

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5 The demand for smartphones has become more price-inelastic as the range of functions available has increased. In low-income countries, smartphones are an important tool for economic development. This is because they provide access to education and banking services which were once not available in rural areas. Smartphones have made it easier for people to borrow and save their money.

(a) Define *economic development*. [2]

(b) Explain **two** reasons why children in rural areas may receive less education than those in cities. [4]

(c) Analyse the advantages of selling a product which is price-inelastic in demand. [6]

(d) Discuss whether or not an increase in the level of savings is beneficial for an economy. [8]

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