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Cambridge Assessment International Education

# Cambridge IGCSE™

**ECONOMICS** **0455/23**

Paper 2 Structured Questions **May/June 2022**

**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: The eSports industry and Malta**

| eSports fact file | 2019 |
|---|---|
| Global total revenue | $1 billion |
| Revenue from Europe | $300 million |
| Total number of viewers globally | 454 million |
| Growth of viewers compared to 2018 | 15% |

eSports is now recognised as a sports competition, just like playing other competitive sports such as football and basketball. In eSports, participants compete through video games either as an individual or as part of a team. eSports also attracts large audiences who watch these online competitions. eSports is growing rapidly, both in terms of revenue generated and in the number of viewers. Demand has increased because of increases in incomes and decreases in the price of the technology needed to play or watch eSports. A change in social attitudes has also increased female participation in eSports.

The fast growth in this industry has attracted both private and public sector investment. Private sector firms sponsor various eSports teams and also advertise their products during eSports competitions. Public sector investment has come from the governments of China, Denmark, Malaysia and Malta, mainly in development and training programmes for young eSports participants. The government of Malta, a small island country, hopes to make Malta a main centre for eSports in Europe, to attract visitors for eSports events. The aim is for the eSports industry to contribute 1% to Malta's GDP, provide 3000 more jobs and improve the current account of its balance of payments.

Malta's service sector has always been important and contributes approximately 90% of its GDP. Malta is an attractive tourist destination due to its mild weather. The island is used as a location for many movies and TV series, which also attracts visitors who want to see the filming locations. However, to ensure growth is sustainable, the government sees the importance of economic diversification and does not want the economy to overspecialise.

To achieve this, the labour force has to be adaptable and the government has to invest in education and training. The government provides new scholarship schemes, organises work placements and brings in professionals from other countries to help train Maltese students. However, there are concerns that these measures may be too expensive and take too long to have a significant impact on the economy.

Female participation in the labour force is also encouraged. Table 1.1 shows the proportion of women in the labour force (%) and GDP per head ($) of selected countries in 2019.

**Table 1.1 Female labour force participation rate and GDP per head of selected countries 2019**

| Country | Female labour force participation rate (%) | GDP per head ($) |
|---|---|---|
| Bangladesh | 36 | 2070 |
| France | 50 | 42640 |
| Luxembourg | 53 | 116730 |
| Malta | 43 | 32020 |
| Saudi Arabia | 23 | 22530 |
| Yemen | 6 | 710 |

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

**1** **(a)** Calculate Europe's percentage contribution to the global total eSports revenue in 2019. [1]

**(b)** Identify **two** conditions of demand for eSports. [2]

**(c)** Explain how a change in social attitudes would lead to greater participation by women in the labour force. [2]

**(d)** Explain **two** differences between private sector investment and public sector investment. [4]

**(e)** Analyse how the development of eSports in Malta can help the government achieve its macroeconomic aims. [4]

**(f)** Analyse the relationship between GDP per head and the proportion of females in the labour force. [5]

**(g)** Discuss whether or not specialisation at a national level is harmful to an economy. [6]

**(h)** Discuss whether or not government investment in education and training will help the Maltese economy. [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** Voralberg, a region in Austria, has the highest income and best healthcare of any region in Austria. It benefits from its short distance to Germany and Switzerland, and from the free trade between these countries. However, Voralberg hosts only a small number of foreign multinational companies (MNCs) and its inflation is higher than most areas in Europe.

**(a)** Define *free trade*. [2]

**(b)** Explain **two** possible causes of better healthcare. [4]

**(c)** Analyse why few MNCs may choose to locate in a particular region. [6]

**(d)** Discuss whether or not inflation is always a disadvantage to an economy. [8]

**3** Leading jewellery firms in Qatar and Ukraine have asked their governments to remove trade protection between them to increase trade in jewellery. The jewellery firms of Qatar and Ukraine produce unique products which are improving in quality. They believe that increased trade between the two countries will enable them to exploit internal economies of scale in jewellery production.

**(a)** Identify **two** internal economies of scale. [2]

**(b)** Explain **two** methods of protection in international trade. [4]

**(c)** Analyse, using a demand and supply diagram, the effects of higher quality products on the market for jewellery. [6]

**(d)** Discuss whether or not protection in international trade benefits an economy. [8]

**4** In 1982, Nauru had the world's highest GDP per head. It had a large primary sector and exported phosphate, a natural fertiliser. However, this natural resource did not last long. Nauru is now facing market failure due to pollution and unhealthy food imports. Despite having more imports of goods than exports of goods, it still records a surplus on the current account of its balance of payments.

**(a)** Define *GDP per head*. [2]

**(b)** Explain how a country with more imports of goods than exports of goods can still record a surplus on the current account of its balance of payments. [4]

**(c)** Analyse the causes of market failure. [6]

**(d)** Discuss whether or not having a large primary sector is a disadvantage to an economy. [8]

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**5** More government spending creates opportunity costs. This was one of the problems that the president of France faced in 2017. Since he came to power, he has focused on using supply-side policy measures, rather than monetary policy. Trade union membership has reduced in France in recent years.

**(a)** Define *monetary policy*. [2]

**(b)** Explain, using an example, the influence of opportunity cost on government decision-making. [4]

**(c)** Analyse the reasons why trade union membership has reduced in some countries. [6]

**(d)** Discuss whether or not supply-side policy measures always promote economic growth. [8]

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