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Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

Paper 2 Structured Questions **February/March 2023**

2 hours 15 minutes

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: Changes in US macroeconomic performance and policies

US fact file	2020
Current account of the balance of payments	–$470 bn
Imports of goods and services	$2 800 bn
Imports from China as % of total imports	20%
Economic growth rate	–2.8%
Inflation rate	1.4%

Between 2009 and 2019, US real GDP increased every year. This was the result of, among other causes, low interest rates, land reclamation and an increase in the labour force. The higher US output brought a number of benefits but some workers lost their jobs. This was because while some industries expanded, others closed down. Income also became more unevenly distributed and pollution increased.

US exports and imports rose over this period. The growth of trade with China, a major trading partner of the US, was affected later in the period by increases in US tariffs on some Chinese imports. These increases were expected to change the US current account balance, output and tax revenue.

The US exports a range of products to China, including ice cream. China is the world's largest consumer of ice cream, buying a third of all ice cream consumed. Chinese consumers sometimes buy chocolate to eat with ice cream. In 2019, the price of chocolate increased.

In 2020, US macroeconomic performance changed. The country's price level rose more slowly, largely due to a decrease in consumer expenditure and a reduction in workers' bargaining power. The country's real GDP fell and unemployment rose. These changes influenced US macroeconomic policy. US government spending rose significantly as shown in Table 1.1.

Table 1.1 US Government spending and unemployment rate 2015–2020

Year	Government spending ($ billion)	Unemployment (%)
2015	3 700	5.3
2016	3 900	4.9
2017	4 000	4.4
2018	4 100	3.9
2019	4 400	3.7
2020	6 600	6.7

The US central bank, the Federal Reserve, announced in September 2010 that it would allow the inflation rate to rise and would not increase the interest rate. In the past, central banks have aimed to keep the inflation rate low because of the effects that inflation can have on, for example, investment, exports, the distribution of income and tax revenue. The Federal Reserve stated that it wanted to raise economic growth which can increase income per head, employment and tax revenue.

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

1 **(a)** Calculate the value of US imports from China in 2020. [1]

(b) Identify **two** causes of the increase in the quantity of US factors of production. [2]

(c) Explain **one** way that import tariffs could improve the US economy. [2]

(d) Explain **two** reasons why the US inflation rate fell in 2020. [4]

(e) Draw a demand and supply diagram to show the effect of an increase in the price of a complement on the market for ice cream. [4]

(f) Analyse the relationship between government spending and unemployment. [5]

(g) Discuss whether or not a central bank should aim for a low inflation rate. [6]

(h) Discuss whether or not economic growth benefits everyone in the US. [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 Vietnam has a high number of female entrepreneurs. Some of their firms have grown and now compete with foreign multinational companies (MNCs) and public sector firms. The Vietnamese government encourages MNCs to locate in Vietnam as a host country. It also intervenes in the economy to encourage the consumption of merit goods.

(a) Identify **two** reasons why people become entrepreneurs. [2]

(b) Explain **two** benefits that an MNC can bring to its host country. [4]

(c) Analyse how a government could encourage the consumption of merit goods. [6]

(d) Discuss whether or not private sector firms are likely to charge lower prices than public sector firms. [8]

3 In 2019, India became the world's largest producer of sugar. Sugar cane is grown in the country by a large number of mainly low-income farmers. They sell sugar cane to mills which process the sugar cane into sugar. Processing the sugar cane is more capital-intensive than growing it. The Indian government sets a minimum price for sugar cane and subsidises the export of sugar.

(a) Define *a minimum price*. [2]

(b) Explain **two** advantages of capital-intensive production. [4]

(c) Analyse why low-income farmers are likely to have low living standards. [6]

(d) Discuss whether or not a government subsidy on the export of sugar will help it achieve its macroeconomic aims. [8]

4 Safiye Ali became the first female doctor in Turkey in 1923. By 2020, 40% of Turkish doctors were women. Over this period, labour productivity increased. Turkey also experienced advances in technology, a change in the current account balance on its balance of payments and a significant increase in the size of its population.

(a) Identify **two** causes of an increase in labour productivity. [2]

(b) Explain **two** reasons why someone may choose to become a doctor. [4]

(c) Analyse how advances in technology may improve the current account balance on a country's balance of payments. [6]

(d) Discuss whether or not a country with a high population growth rate is likely to experience a high economic growth rate. [8]

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5 Serbia is the world's second largest producer of raspberries, a product with elastic demand. Consumers experience the economic problem when buying raspberries. Few raspberry farm workers are members of trade unions. Membership of trade unions in Serbia had fallen to 20% of all workers by 2020. In that year, Serbia had more state pensioners than workers.

(a) Identify **two** determinants of price elasticity of demand. [2]

(b) Explain how the economic problem results in consumers having to make choices. [4]

(c) Analyse why some workers decide **not** to join a trade union. [6]

(d) Discuss whether or not a government should reduce the amount of money it gives to each state pensioner. [8]

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