Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2024**

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 Jordan's economy and population

Jordan fact file	2020
Population	11m
Economic growth rate	-1.5%
Labour force employed in the primary sector	2%
Labour force employed in the tertiary sector	79%
Unemployment rate	23%
Inflation rate	2%
Trade in services balance	-$1bn
Import tariff revenue	$0.7bn
Primary income balance	$0.8bn

In 2020, Jordan had a deficit on the current account of its balance of payments. This deficit contributed to a decline in Jordan's total demand in that year. This lower total demand was the most important reason why the number of workers was greater than the number of jobs available. Employment fell in most of Jordan's industries.

One of Jordan's main industries is tourism. Recent years have seen mergers between some of Jordan's tourism firms. These mergers reduced the prices of some holidays and raised their quality.

Jordan's population continues to grow. This is mainly because of net immigration, but also because the country's birth rate exceeds its death rate. Table 1.1 shows the birth rate and average age in six countries in 2020.

Table 1.1 Birth rate and average age in six selected countries in 2020

Country	Birth rate	Average age
Germany	9	48
Jordan	23	24
Maldives	16	30
Monaco	6	55
Niger	47	15
Venezuela	18	30

Changes in the size of a country's population affect the market for a range of products including clothing. An increase in population size also puts pressure on the country's sources of energy. The Jordanian government has several large renewable energy projects, and plans to spend even more on such projects. Greater reliance on renewable energy, including wind and solar power, can reduce environmental damage and can be relatively cheap in the long run. However, most renewable energy generators, including hydroelectric power stations, are expensive to build. Also, wind turbines and solar panels rely on favourable weather conditions.

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Some of the spending by the Jordanian government is financed by borrowing. At the start of 2021, the Jordanian central bank was expected to raise the rate of interest. This was because total demand was predicted to increase and there would be a return to positive economic growth. A higher interest rate might affect Jordan's foreign exchange rate and investment.

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

1 **(a)** Calculate the percentage of the Jordanian labour force employed in the secondary sector. [1]

(b) Identify **two** components of the current account of Jordan's balance of payments. [2]

(c) Explain the main type of unemployment experienced by Jordan in 2020. [2]

(d) Explain **two** advantages the Jordanian economy may gain from the mergers between its tourism firms. [4]

(e) Analyse the relationship between birth rate and average age. [4]

(f) Analyse, using a demand and supply diagram, how an increase in population size will affect the market for clothing. [5]

(g) Discuss whether or not the Jordanian government should spend more on renewable energy. [6]

(h) Discuss whether or not the Jordanian central bank should have raised the rate of interest in 2021. [6]

Section B

Answer any **three** questions.

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

2 In 2021, the production point on the UK's production possibility curve (PPC) changed. Average wages increased. The average annual wage of a waiter was $23,580 while that of a chief executive of a large commercial bank was $1,617,000. A rise in wages enables people to eat in restaurants more often. Some of the food sold in UK restaurants is imported. In 2021, the UK government signed free trade agreements, removing import restrictions, with a number of countries.

(a) Identify **two** places where a production point could be located on a PPC diagram. [2]

(b) Explain **two** reasons why someone may switch from eating in one restaurant to eating in another restaurant. [4]

(c) Analyse why the wage of a chief executive of a large commercial bank is higher than that of a waiter. [6]

(d) Discuss whether or not free trade will increase economic growth. [8]

3 The central bank of Madagascar intervenes in the country's foreign exchange market. However, Madagascar has a largely market economic system. Nearly 70% of Madagascar's population live in poverty. Most of the country's industries are labour-intensive. In 2020, Madagascar had an economic growth rate of 6% and a deficit on the current account of its balance of payments of $0.6bn.

(a) Define *foreign exchange market*. [2]

(b) Explain **two** reasons why a firm may adopt labour-intensive production. [4]

(c) Analyse how the macroeconomic aims of economic growth and balance of payments stability may conflict. [6]

(d) Discuss whether or not a high level of poverty is likely to exist in a market economic system. [8]

4 In 2021, there were extensions and contractions in demand for a number of South African products. In that year, a South African court stopped a multinational company (MNC) exploring for oil along South Africa's coastline. South Africa experienced an increase in output, driven largely by the growth in its tertiary sector. However, its unemployment rate was 35%, a long way from full employment.

(a) Define an *extension in demand*. [2]

(b) Explain **two** external costs that may be caused by exploring for oil. [4]

(c) Analyse how growth in a country's tertiary sector can increase its living standards. [6]

(d) Discuss whether or not workers who lose their jobs are likely to stay unemployed for a long time. [8]

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5 The Peruvian government is under pressure from its industries to improve the country's transport system. Peru's third largest industry is tourism. There are many firms in the Peruvian tourism industry. Another major industry in Peru is fruit farming. In recent years, trade union membership in the Peruvian fruit-farming industry has increased.

(a) Identify **two** examples of labour employed in the tourism industry. [2]

(b) Explain **two** reasons why countries with a good transport system often have a high GDP. [4]

(c) Analyse the benefits consumers may gain from a competitive market. [6]

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

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