

1.1 THE NATURE OF THE ECONOMIC PROBLEM

0455/22/F/M/23

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 has fallen to 20% of all workers by 2020. In that year, Serbia had more state pensioners than workers.

- Explain how the economic problem results in consumers having to make a choice. [2]

0455/22/O/N/22

The economic problem results in choices and opportunity cost. People have to decide what job to do and where to live. In recent years Australia has recruited teachers from a number of countries including Canada, the UK and the US. Most of these teachers specialise in a single subject.

- Explain the economic problem and why it is always likely to exist. [4]

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The economic problem means that countries have to decide what to produce. Ghana uses much of its agricultural land to grow cocoa. Cocoa is sold to chocolate producers. The world's main chocolate producer in 2019 was a US firm with a 14% share of the global market. That firm was the largest seller of chocolate in the US and, if it merges, may become a monopoly.

- Define the economic problem. [2]

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Nearly one million people in Cairo, the capital city of Egypt, live in crowded, unhealthy housing. One reason why people lack basic necessities, including adequate housing, is unemployment. In 2019, nearly 10% of Cairo's workers did not have a job. Other citizens of Cairo live in luxury, in houses costing more than \$1 million. Many of Cairo's rich adults grew up in rich families.

- Identify two basic necessities, other than housing. [2]

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There is a smaller proportion of large firms in Africa than in Asia. The two African countries with the largest firms are Nigeria and South Africa. These two countries' firms have more capital goods than most other African countries' firms. Firms in South Africa produce a range of products including gold and petrochemicals. In recent years, a number of African firms have developed into multinational companies (MNCs), producing mainly in other African countries.

- Define a capital good. [2]

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The economic problem results in people having to make choices. In Bulgaria, in recent years, people have changed how much they spend. The Bulgarian government is encouraging people to spend more. It is trying to ensure that deflation does not return and that the country will continue to experience an increase in output.

- Explain how the economic problem results in people having to make choices. [4]

0455/22/M/J/18

Farms in the USA are getting larger. One dairy farm in the state of Indiana has over 38000 cows. Farms in the USA compete with farms in both developed and developing countries. The value of the farms' exports of milk appears in the trade in goods section of the current account of the USA's balance of payments.

- Identify two examples of capital goods that may be used by a farm. [2]

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It is forecast that by 2022 India will overtake China as the world's most highly populated country. China's birth rate is lower than India's and China has a higher proportion of its population aged over 65. By 2050, it is estimated that 500 million Chinese people and 330 million Indian people will be over 65. Changes in population size and age structure affect the quantity and quality of a country's resources.

- Define resources. [2]
- Explain two reasons why the quality of a country's resources may increase. [4]

1.2 THE FACTORS OF PRODUCTION

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Botswana uses both capital goods and labour in its diamond mining industry. The country had an average economic growth rate of 3.8% between 2015 and 2019 compared to a global average of 2.8%. Over this period, the country experienced a low inflation rate and a move away from protectionism and towards free international trade.

- Define, with an example, a capital good. [2]

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Canada's private sector firms have a number of different objectives. The quantity and quality of land used by these firms, including farms, has increased. There has also been increased investment with the firms buying more capital goods. In 2021, the Canadian government encouraged higher investment and aimed to prevent a rise in unemployment.

- Explain one reason why the quantity of land may increase and one reason why the quality of land may increase. [4]

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Vietnam has a high number of female entrepreneurs. Some of their firms have grown and now compete with foreign multinational companies (MNC) 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.

- Identify two reasons why people become entrepreneurs. [2]

0455/21/M/J/22

Singapore is a high-income country with a shortage of land and labour. Singapore is often given as an example of a market economy. The Singaporean government does, however, intervene in the economy. For example, it encourages its population to eat two servings of fruit and two servings of vegetables per day.

- Identify the reward to labour and the reward to land. [2]

0455/22/F/M/22

The economic problem means that countries have to decide what to produce. Ghana uses much of its agricultural land to grow cocoa. Cocoa is sold to chocolate producers. The world's main chocolate producer in 2019 was a US firm with a 14% share of the global market. That firm was the largest seller of chocolate in the US and, if it merges, may become a monopoly.

- Explain whether land is mobile. [4]

0455/22/M/J/21

Consumers in Uruguay are eating more processed foods. Factors of production, including enterprise, have responded to this change. Firms in the processed food industry have become more capital-intensive. All of Uruguay's industries were affected by the rise in its inflation rate, from 6.2% in 2017 to 7.7% in 2018.

- Define enterprise. [2]

0455/22/F/M/21

In the Netherlands in 2018, there were 1.3 bicycles per person and the world's largest underground bicycle parking area was built in the capital city. Land is scarce in city centres, where most cycling takes place. Demand for bikes in the Netherlands is price-inelastic. Only a few people in the Netherlands borrow money to buy bikes. The government encourages cycling by spending on both bike parking areas and leisure cycle parks.

- Identify one difference between land and labour. [2]

0455/21/O/N/20

Free trade has allowed the Mexican economy to specialise in low-cost manufacturing. Unemployment nationally is relatively low, but approximately 50 million people were still considered to be in poverty in 2016. In addition, there are worries that technological advances will soon replace labour with capital.

- State the rewards for labour and capital. [2]

0455/23/M/J/20

In Nagicho, a small town in Japan, a woman on average has 2.8 children in her lifetime. In Japan as a whole, a woman on average only has 1.4 children in her lifetime. Nagicho's higher birth rate is partly the result of a lower cost of living for families, as the prices of basic items are lower in Nagicho than in the rest of Japan. The local government not only offers housing at subsidised rates, to get more labour into the area, but also tries to get more investment into the town.

- Analyse the influences on the mobility of two factors of production. [6]

0455/22/F/M/20

In 2017, the Brazilian paper industry was booming. Its total revenue increased and it employed both more, and better quality, factors of production. Brazil's largest paper producer merged with an Indonesian paper-producing firm at the end of 2017. The performance of Brazil's coffee industry differed from its paper industry. Brazilian coffee experienced a fall in demand and a fall in total revenue.

- Explain two differences between capital and labour. [4]

1.3 OPPORTUNITY COST

0455/22/M/J/23

In 2019, China's economic growth rate was 6.1% and Chinese households increased their spending. More Chinese people attended sports events and the earnings of top sportspeople increased. China exported more despite a rise in tariffs on some of its products. For example, the US imposed higher tariffs on the imports of Chinese tea and coffee.

- Identify the opportunity cost of households spending their income and the opportunity cost of Chinese firms exporting goods and services. [2]

0455/23/O/N/22

Washington State is the state which grows the most apples in the US. In 2019, apple production increased in Washington State but the market was in disequilibrium. Apple farming is a labourintensive industry because apples are picked by hand. The market for apples in the US is competitive.

- Explain opportunity cost and how it can influence a farmer's decision to grow apples. [4]

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The economic problem results in choices and opportunity cost. People have to decide what job to do and where to live. In recent years Australia has recruited teachers from a number of countries including Canada, the UK and the US. Most of these teachers specialise in a single subject.

- Define opportunity cost. [2]

0455/22/M/J/21

Consumers in Uruguay are eating more processed foods. Factors of production, including enterprise, have responded to this change. Firms in the processed food industry have become more capital-intensive. All of Uruguay's industries were affected by the rise in its inflation rate, from 6.2% in 2017 to 7.7% in 2018.

Explain the influence of opportunity cost on consumers' decisions. [4]

0455/22/F/M/21

India has experienced a relatively high economic growth rate in recent years. This growth has been driven by increases in government spending and exports, including exports of textiles. India's unemployment rate has, however, increased. The government is concerned that trying to reduce unemployment may increase India's inflation rate.

- Explain the possible opportunity cost to India of exporting more textiles. [4]

0455/22/F/M/20

The main industries in the Seychelles, an island country in the Indian ocean, are tourism and fishing. The price elasticity of supply of fish is affected by the relatively short time that fish can be stored. Economic goods and free goods play a role in both fishing and tourism. With rises in the skills of workers and an increase in enterprise, GDP per head has increased by more than seven times over the last fifty years.

- Explain how opportunity cost is different for economic goods and free goods. [4]

0455/22/M/J/18

Swaziland is a small African country where six in ten people live in poverty and most firms are small and use little capital equipment. In October 2015 it opened a new airport. Some economists suggest that the building of the airport involved a high opportunity cost and caused a range of external costs. The building of the airport is part of the government's plan to turn the country from a developing into a developed country.

- What may be the opportunity cost of building an airport? [2]

1.4 PRODUCTION POSSIBILITY CURVE (PPC) DIAGRAMS

0455/22/O/N/23

In 2020, Singapore experienced a decrease in both its population size and its labour force. 2020 was a year of great change in a number of Singaporean markets. Some moved from disequilibrium to equilibrium. Despite all these changes, Singapore managed to increase its exports of goods and services.

- Analyse, using a production possibility curve (PPC) diagram, the effect of a decrease in the size of a country's labour force on its economy. [6]

0455/21/M/J/23

In Greece, rich households spend more than the average household. The amount of spending in an economy influences whether its production point is on or inside its production possibility curve (PPC). In 2020, household spending in Greece fell. This affected some firms' plans to merge. It also increased unemployment. More than half of those unemployed in Greece had been unemployed for more than a year.

- Explain the significance of a production point inside a PPC and a production point on its PPC. [4]

0455/23/M/J/21

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.

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

0455/22/F/M/21

Sweden has a mixed economic system. In 2018, it was operating at a point inside its production possibility curve (PPC). In 2018, the country's schools employed nearly 2500 extra teachers. A few of these had previously been actors. A higher number had previously been government officials involved with regulation of Swedish monopolies.

- Explain the difference between a point inside a PPC and a point outside a PPC. [4]

0455/23/O/N/20

Russia's birth rate fell by 11% in 2017 to its lowest level for a decade. Over the next 30 years, Russia's population is forecast to fall from 144 million to 107 million. The government announced measures to reverse this decline in population. In 2017, it also announced privatisation plans and measures to reverse a decrease in investment which could lead to a fall in the quantity of capital goods. Privatisation can reduce monopoly power in a market.

- Analyse, using a production possibility curve (PPC) diagram, the effects of a decrease in the quantity of capital goods in an economy. [6]

0455/22/O/N/20

Mexico has a history of trade deficits. The government is moving the economy closer to free trade, to try to improve its macroeconomic performance. It was predicted in 2017 that Mexico's economy would experience a small rise in its unemployment rate. In 2017 the economy's inflation rate was 6.6%, the highest rate since 2001. A number of policy measures may be used to reduce inflation, including increasing the rate of income tax.

- Analyse, using a production possibility curve (PPC) diagram, the effect of an increase in unemployment on an economy. [6]

0455/21/O/N/20

South east Asian countries have reduced tariffs between themselves through the ASEAN Free Trade Agreement. ASEAN member countries are also removing non-tariff methods of protection. The intention is to raise economic growth through more international trade. This should enable small and medium-sized firms in ASEAN countries to grow and increase their exports.

- Analyse, using a production possibility curve (PPC) diagram, the beneficial effects for a country of the growth of its small and medium-sized firms. [6]

0455/23/M/J/20

Ireland has one of the lowest rates of corporation tax in Europe. This has encouraged many multinational companies (MNCs) to produce in Ireland. Other reasons why firms want to produce in Ireland include access to freer trade with other European countries, higher labour productivity and government grants.

- Analyse, using a production possibility curve (PPC) diagram, the impact of higher labour productivity on an economy. [6]

0455/22/M/J/20

In 2017, the Japanese government announced improvements to its tax system. The amount of tax raised is influenced by the size and age distribution of a country's population. Japan's birth and death rates are falling, its population is ageing, and it has low immigration. Overall, Japan's population is decreasing.

- Discuss whether or not an ageing population is a benefit to an economy. [8]

0455/21/M/J/20

Australian firms have been praised for introducing new technology. The actions of some of these firms, however, cause market failure. The Australian government uses subsidies, among other policies, to reduce market failure. Government spending is used both to improve the performance of individual markets and the macroeconomy. The Australian government increased its spending in 2017, in part to reduce unemployment.

- Analyse, using a production possibility curve (PPC) diagram, the effect of advances in technology on an economy. [6]

0455/22/F/M/20

The main industries in the Seychelles, an island country in the Indian ocean, are tourism and fishing. The price elasticity of supply of fish is affected by the relatively short time that fish can be stored. Economic goods and free goods play a role in both fishing and tourism. With rises in the skills of workers and an increase in enterprise, GDP per head has increased by more than seven times over the last fifty years.

- Analyse, using a production possibility curve (PPC) diagram, the effect of an increase in enterprise on an economy. [6]

0455/23/M/J/18

The production process in the oil industry is capital-intensive. The pollution it generates means it is one cause of environmental market failure. A Nigerian oil monopoly is starting to produce more environmentally friendly liquefied petroleum gas (LPG), rather than kerosene, in an attempt to reduce pollution. The Nigerian government intends to split the monopoly firm into separate companies to improve efficiency.

- Analyse, using a production possibility curve (PPC) diagram, the effect of reallocating resources from kerosene to LPG. [6]

2.1 MICROECONOMICS AND MACROECONOMICS

0455/23/O/N/20

Changes in tobacco production and consumption can have both microeconomic and macroeconomic effects. Tobacco plants are grown in at least 124 countries with different levels of development. A higher proportion of the poor than of the rich consume tobacco products. The market for cigarettes, produced using tobacco, is changing. Demand for cigarettes and some other demerit goods is declining in a number of countries.

- Define microeconomics. [2]

2.2 THE ROLE OF MARKETS IN ALLOCATING RESOURCES

0455/22/M/J/20

Mali is a low income and low productivity country in Africa. Its government is using fiscal policy to reduce poverty. The country's main industries are agriculture and gold mining. In recent years, however, there have been some changes in its resource allocation. The country is developing its iron ore industry. Globally, the iron ore industry is one which has experienced a significant number of mergers in recent years.

- State two key questions about how resources are allocated. [2]

2.3 DEMAND

0455/23/M/J/21

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.

- Explain two causes of a shift of a product's demand curve to the left. [4]

0455/21/M/J/21

There is an area of rubbish, three times the size of France, floating in the Pacific Ocean called the Great Pacific Garbage Patch. It is made up of rubbish including old fishing nets but most is plastic waste. It is forecast that, by 2050, there will be more plastic in the Pacific Ocean than fish. A number of islands in the Pacific Ocean specialise in fishing. Greater pollution will increase the social cost of the fishing industry.

- Explain two causes of a shift to the right in the demand curve for fish. [4]

0455/22/O/N/20

The population of Hungary is the most obese in Europe. Hungarians eat fewer vegetables than most Europeans and more food types that may be considered to be demerit goods. In 2017, the Hungarian government introduced a tax on unhealthy food, known as the chips tax. The tax has had some success in moving demand to healthier foods. Some economists suggest that governments should use price controls as well as taxes to influence the food market.

- Explain the difference between an extension in demand and an increase in demand. [4]

0455/23/M/J/20

There is a high level of division of labour in the United Kingdom (UK) energy industry. Cold weather in early 2018 caused very high demand for energy and a change in its price. This led to a temporary shortage of energy for firms and households in the UK. Part of the change in price may have been the result of UK energy firms abusing their monopoly power. This would be an example of market failure.

- Explain two influences, other than weather, that could affect the demand for a product. [4]

0455/21/M/J/22

Trade union membership is much higher in Sweden than in most countries. In 2019, 70% of Swedish workers were members of a trade union. More than 85% of Swedish workers are employed in the tertiary sector, compared with only 2% in the primary sector. Swedish workers spend their incomes on a variety of products some of which, e.g. sweets, are demerit goods. Sweden has the 7th highest per head consumption of sweets in the world.

- Identify two influences on what products a person buys. [2]

0455/22/F/M/20

In 2017, the Brazilian paper industry was booming. Its total revenue increased and it employed both more, and better quality, factors of production. Brazil's largest paper producer merged with an Indonesian paper-producing firm at the end of 2017. The performance of Brazil's coffee industry differed from its paper industry. Brazilian coffee experienced a fall in demand and a fall in total revenue.

- Discuss whether or not demand for coffee is likely to rise in the future. [8]

0455/22/M/J/18

In October 2015, the Chinese government switched from its one child policy to a two child policy partly because of the challenges caused by an ageing population. The birth rate was falling anyway due to rising female participation in the labour force, improvements in education, later marriages and the rapidly rising price of housing.

- Explain why the price of housing may increase. [4]

0455/22/M/J/18

In the UK, bus journeys outside London have fallen by nearly 40% since 1980. This fall in demand has been largely due to a rise in bus fares, a rise in income and changes in the price and quality of substitutes. On some routes there are monopolies operating and this lack of competition can push up the price.

- Define a substitute and give an example. [2]

2.4 SUPPLY

0455/21/O/N/22

Medan is the third largest city in Indonesia by population. It is sometimes known as the city of a million shop-houses as many people start small firms at the street level of their homes. This has led to an increase in the market supply of industries such as cafes and clothes shops. Also, due to the growth in demand for food delivery, the unemployment rate has fallen. However, mobility of labour is limited both within Medan and within Indonesia.

Identify the difference between individual supply and market supply. [2]

0455/22/F/M/22

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- Analyse the causes of a shift to the right in the supply curve of chocolate. [6]

0455/21/O/N/18

Droughts in the Pacific Coast region of the US and regulations, in the form of limits on the amount of salmon that can be caught in the wild, have reduced the supply of wild salmon. These limits were imposed to avoid market failure in the salmon market. However, the effect of this on the revenue of salmon producers is uncertain. In addition, producers of farmed salmon in the US states of Washington and Alaska have received subsidies from the US government.

- Define supply. [2]

2.5 PRICE DETERMINATION

0455/22/O/N/23

In 2020, Singapore experienced a decrease in both its population size and its labour force. 2020 was a year of great change in a number of Singaporean markets. Some moved from disequilibrium to equilibrium. Despite all these changes, Singapore managed to increase its exports of goods and services.

- Explain how a market moves from disequilibrium to equilibrium. [4]

0455/23/O/N/22

Washington State is the state which grows the most apples in the US. In 2019, apple production increased in Washington State but the market was in disequilibrium. Apple farming is a labourintensive industry because apples are picked by hand. The market for apples in the US is competitive.

- Define market disequilibrium. [2]

2.6 PRICE CHANGES

0455/21/O/N/23

A third of the world's ski resorts are located in the Alps. Prices for holidays in the Alps are relatively higher than in other regions. The recent pandemic, however, reduced the revenues of many large and small firms in the tourism industry in the winter season of 2020/2021. Many blamed strict government regulations for this. However, government intervention also helped many firms to survive.

0455/22/M/J/23

In 2020, Australia had a high national minimum wage (NMW). The NMW is received by some people who work on Australian dairy farms. Australia produces milk and soft drinks. Milk is purchased by some people as an alternative to soft drinks. Some dairy farms and some small firms went out of business in 2020. The year saw an increase in the value of the country's floating foreign exchange rate.

- Analyse how an increase in the price of milk may affect the revenue earned by milk producers and soft drinks producers. [6]

0455/22/O/N/22

Advances in technology have changed how trees (wood) are cut down, transported and used in the manufacture of furniture, such as tables. Wood is in inelastic supply. Wood can be supplied in all economic systems. However, public goods are not supplied in a market economic system.

- Analyse, using a demand and supply diagram, the effect on the market for furniture of an increase in the price of wood. [6]

0455/21/O/N/22

Some firms have social welfare as their main objective. Globally, the number of this type of firm is increasing. Consumers are also starting to change their spending patterns by moving towards environmentally friendly products such as solar energy. Environmentally unfriendly firms are less able to make profits and some of these firms must merge to survive.

- Analyse, using a demand and supply diagram, the effects on the solar energy industry of the change in spending patterns towards environmentally friendly products. [6]

0455/21/M/J/22

Singapore is a high-income country with a shortage of land and labour. Singapore is often given as an example of a market economy. The Singaporean government does, however, intervene in the economy. For example, it encourages its population to eat two servings of fruit and two servings of vegetables per day.

- Analyse, using a demand and supply diagram, how a greater awareness of the health benefits of eating fruit will affect the market for fruit. [6]

0455/22/F/M/19

Indian Railways is a state-owned enterprise, owned and operated by the Ministry of Railways. There is currently only one privately-owned railway line in India. The market for rail travel is influenced by changes in the markets for other forms of transport. For instance, changes in the supply of oil and petrol influence the market for car travel.

- Define a market. [2]
- Explain two reasons why the supply of a raw material such as oil may rise in the future. [4]
- Analyse, using a demand and supply diagram, how the market for oil would be affected when the demand for oil increases by more than the supply of oil. [6]
- Discuss whether or not car travel will increase in the future. [8]

0455/21/O/N/18

In 2016, there was a global surplus in the steel market pushing down steel prices. This situation led to various calls for protectionist measures by other steel producers such as those in the EU and the USA. However, such measures were not supported by car producers as approximately 22% of a car manufacturer's costs depend on steel prices.

- Analyse, using a demand and supply diagram, the effect of falling steel prices on the market for cars. [6]

0455/21/M/J/18

More than 80% of Qatar's population are immigrants. Net immigration has helped to meet the country's demand for labour. As well as a shortage of workers, the country has a shortage of drinking water. The government has run public campaigns to stop people using their free supply of drinking water to fill their swimming pools and water their gardens. In 2016, the government increased its spending to increase the country's economic growth rate.

- Explain how market forces would respond to a shortage of drinking water. [4]

2.7 PRICE ELASTICITY OF DEMAND (PED)

0455/22/F/M/23

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 has fallen to 20% of all workers by 2020. In that year, Serbia had more state pensioners than workers.

- Identify two determinants of price elasticity of demand. [2]

0455/23/M/J/21

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.

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

0455/22/F/M/21

In the Netherlands in 2018, there were 1.3 bicycles per person and the world's largest underground bicycle parking area was built in the capital city. Land is scarce in city centres, where most cycling takes place. Demand for bikes in the Netherlands is price-inelastic. Only a few people in the Netherlands borrow money to buy bikes. The government encourages cycling by spending on both bike parking areas and leisure cycle parks.

- Explain two reasons why demand for a product may be price-inelastic. [4]

0455/22/O/N/20

Italy is home to the world's oldest bank and some of the world's oldest car producers. Internationally, both industries are facing a number of challenges. The wages of bank workers and car workers are increasing. Demand for bank loans and for cars is changing, in part, due to changes in population size. It is predicted that the price elasticity of demand (PED) for cars will also change in the future.

- Discuss whether or not demand for cars will become more price-elastic in the future. [8]

0455/22/M/J/20

The Indian government has declared that the country, now a major car producer, will sell only electric cars by 2030. The government wants to reduce external costs, some of which are caused by petrol and diesel cars. Demand for electric cars is currently relatively low and price-elastic. The government, however, thinks that it will not need to subsidise the production of electric cars to achieve its target.

- Explain two influences on whether demand for a product is price-elastic or price-inelastic. [4]

0455/21/O/N/18

Droughts in the Pacific Coast region of the US and regulations, in the form of limits on the amount of salmon that can be caught in the wild, have reduced the supply of wild salmon. These limits were imposed to avoid market failure in the salmon market. However, the effect of this on the revenue of salmon producers is uncertain. In addition, producers of farmed salmon in the US states of Washington and Alaska have received subsidies from the US government.

- Analyse how information on changes in a firm's revenue can be obtained from price elasticity of demand calculations. [6]

0455/22/M/J/18

In the UK, bus journeys outside London have fallen by nearly 40% since 1980. This fall in demand has been largely due to a rise in bus fares, a rise in income and changes in the price and quality of substitutes. On some routes there are monopolies operating and this lack of competition can push up the price.

- Analyse how price elasticity of demand for a product influences the revenue a firm receives. [6]

0455/22/F/M/18

Taxi drivers usually have to buy a licence to carry passengers. The relatively high fixed cost of the licence discourages some people from becoming taxi drivers. Encouraging more people to be taxi drivers would be likely to reduce taxi fares and unemployment. It may, however, increase traffic congestion.

- Analyse how a taxi firm can use information about price elasticity of demand for its service. [6]

2.8 PRICE ELASTICITY OF SUPPLY (PES)

0455/22/O/N/23

In the US, the supply of meat from emus, a large bird, is price-elastic. Recently, US farmers have switched to keeping other livestock and growing crops that changed their demand for labour. US farmers are influenced by the subsidies the government provides for the production of selected food items. Some people are reluctant to become farm workers as they think living standards are low in rural areas.

- Define elastic supply. [2]

0455/21/O/N/23

One reason why the price of houses in cities such as Hong Kong, London, and New York is very high, is the low price elasticity of supply of houses. Trade unions in some of these cities are calling for more affordable housing for workers. Governments are also trying to implement various microeconomic policy measures to reduce the price of houses. In addition, the stability of the housing market can impact upon the effectiveness of monetary policy.

- Analyse the key determinants of price elasticity of supply of a product. [6]

0455/22/O/N/22

Advances in technology have changed how trees (wood) are cut down, transported and used in the manufacture of furniture, such as tables. Wood is in inelastic supply. Wood can be supplied in all economic systems. However, public goods are not supplied in a market economic system.

- Define inelastic supply. [2]

0455/22/F/M/20

The main industries in the Seychelles, an island country in the Indian ocean, are tourism and fishing. The price elasticity of supply of fish is affected by the relatively short time that fish can be stored. Economic goods and free goods play a role in both fishing and tourism. With rises in the skills of workers and an increase in enterprise, GDP per head has increased by more than seven times over the last fifty years.

- State the formula for calculating the price elasticity of supply (PES). [2]

0455/21/M/J/18

In England football stadiums are usually built and financed by the private sector, but in some countries the stadiums are built and financed by the government. Many football stadiums in the English Premier League are full on match days. In the short run the supply of seats is perfectly inelastic. The football clubs could actually raise prices, still sell their tickets and so raise their profits. Premier League footballers currently receive very high wages.

- Define perfectly inelastic supply. [2]

2.9 MARKET ECONOMIC SYSTEM

0455/22/O/N/22

Advances in technology have changed how trees (wood) are cut down, transported and used in the manufacture of furniture, such as tables. Wood is in inelastic supply. Wood can be supplied in all economic systems. However, public goods are not supplied in a market economic system.

- Explain why public goods would not be supplied in a market economic system. [4]

0455/21/M/J/21

Australia experienced a drought in 2018 which caused its agricultural output to fall. Australia's secondary and tertiary sectors performed better in 2018 than its primary sector. All three sectors were affected by the measures taken by the central bank to avoid deflation. Some firms benefited from these measures and increased their output.

- Identify two industries, other than agriculture, that operate in the primary sector. [2]
- Explain two possible disadvantages to an economy of a fall in agricultural output. [4]

0455/23/O/N/20

The use of supply-side policy measures, including deregulation, is moving China closer to a market economic system. Some supply-side policy measures, such as education and subsidies, can also increase a country's economic growth rate. China joined the World Trade Organisation in 2001 and has since removed some quotas on imports and reduced some import tariffs. These measures may influence the size of its current account surplus.

- Explain two benefits consumers may gain from a market economic system. [4]

2.10 MARKET FAILURE

0455/21/O/N/23

Digital money, such as cryptocurrencies, is increasingly being used. Digital money transactions take place on electronic devices such as computers and smartphones. However, there can be market failure due to external costs arising from high energy usage of non-renewable sources. One way of reducing external costs is to tax the product.

- Analyse the consequences of market failure. [6]
- Discuss whether or not a tax on a product can reduce external costs. [8]

0455/21/M/J/23

Many people from the Philippines work in another country, often in industries that provide merit goods and public goods. In 2020, the Philippine government raised more tax revenue. Some was spent on policy measures to increase life expectancy and some on policy measures to reduce unemployment. The country's unemployment rate was also affected by a rise in the country's foreign exchange rate.

- Explain, with examples, the difference between a merit good and a public good. [4]

0455/22/M/J/23

In 2020, the largest Thai commercial bank merged with a smaller commercial Thai bank. It was expected that the merger would affect the price charged for bank services and the amount that would be lent. Thai commercial banks operate in the private sector. A growing private sector can move an economy towards a market economic system.

- Discuss whether or not a market economy allocates resources in the best possible way. [8]

0455/21/M/J/23

Living standards, including education, have improved for most people in South Africa in recent years. Most households have more money and the government has more tax revenue. There is, however, considerable income inequality. In 2020, 36% of the population were living in poverty. An increase in unemployment benefit payments might reduce this poverty.

- Explain how improved education may affect the demand for cigarettes and for fresh fruit. [4]

0455/22/F/M/23

Vietnam has a high number of female entrepreneurs. Some of their firms have grown and now compete with foreign multinational companies (MNC) 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.

- Analyse how a government could encourage the consumption of merit goods. [6]

0455/21/M/J/21

There is an area of rubbish, three times the size of France, floating in the Pacific Ocean called the Great Pacific Garbage Patch. It is made up of rubbish including old fishing nets but most

is plastic waste. It is forecast that, by 2050, there will be more plastic in the Pacific Ocean than fish. A number of islands in the Pacific Ocean specialise in fishing. Greater pollution will increase the social cost of the fishing industry.

- Identify the two types of costs that make up social cost. [2]
- Analyse how cleaning up pollution could benefit an economy. [6]

0455/23/O/N/20

Changes in tobacco production and consumption can have both microeconomic and macroeconomic effects. Tobacco plants are grown in at least 124 countries with different levels of development. A higher proportion of the poor than of the rich consume tobacco products. The market for cigarettes, produced using tobacco, is changing. Demand for cigarettes and some other demerit goods is declining in a number of countries.

- Discuss whether or not government intervention will correct the market failure caused by a demerit good. [8]

0455/22/O/N/20

The population of Hungary is the most obese in Europe. Hungarians eat fewer vegetables than most Europeans and more food types that may be considered to be demerit goods. In 2017, the Hungarian government introduced a tax on unhealthy food, known as the chips tax. The tax has had some success in moving demand to healthier foods. Some economists suggest that governments should use price controls as well as taxes to influence the food market.

- Define demerit good. [2]

0455/23/M/J/20

There is a high level of division of labour in the United Kingdom (UK) energy industry. Cold weather in early 2018 caused very high demand for energy and a change in its price. This led to a temporary shortage of energy for firms and households in the UK. Part of the change in price may have been the result of UK energy firms abusing their monopoly power. This would be an example of market failure.

- Define market failure. [2]

0455/22/M/J/20

The Indian government has declared that the country, now a major car producer, will sell only electric cars by 2030. The government wants to reduce external costs, some of which are caused by petrol and diesel cars. Demand for electric cars is currently relatively low and price-elastic. The government, however, thinks that it will not need to subsidise the production of electric cars to achieve its target.

- Define external costs. [2]

0455/21/M/J/20

Australian firms have been praised for introducing new technology. The actions of some of these firms, however, cause market failure. The Australian government uses subsidies, among other policies, to reduce market failure. Government spending is used both to improve

the performance of individual markets and the macroeconomy. The Australian government increased its spending in 2017, in part to reduce unemployment.

- Explain how a subsidy can correct market failure. [4]

0455/22/F/M/19

Botswana has a number of conservation projects. These are thought to provide a social benefit to local communities. Botswana has a mixed economic system with tax revenue as a percentage of GDP at 27% in 2017. Some Botswanan economists suggest that the country should move towards a market economic system, taking care to avoid market failure.

- Define social benefit. [2]
- Explain two advantages of conserving natural resources. [4]
- Analyse how taxation could reduce market failure. [6]

0455/21/O/N/18

Droughts in the Pacific Coast region of the US and regulations, in the form of limits on the amount of salmon that can be caught in the wild, have reduced the supply of wild salmon. These limits were imposed to avoid market failure in the salmon market. However, the effect of this on the revenue of salmon producers is uncertain. In addition, producers of farmed salmon in the US states of Washington and Alaska have received subsidies from the US government.

- Explain one market failure that may occur in the salmon market. [4]

0455/23/M/J/18

The production process in the oil industry is capital-intensive. The pollution it generates means it is one cause of environmental market failure. A Nigerian oil monopoly is starting to produce more environmentally friendly liquefied petroleum gas (LPG), rather than kerosene, in an attempt to reduce pollution. The Nigerian government intends to split the monopoly firm into separate companies to improve efficiency.

- Explain how market failure might occur in the oil industry. [4]

0455/22/M/J/18

Swaziland is a small African country where six in ten people live in poverty and most firms are small and use little capital equipment. In October 2015 it opened a new airport. Some economists suggest that the building of the airport involved a high opportunity cost and caused a range of external costs. The building of the airport is part of the government's plan to turn the country from a developing into a developed country.

- Analyse the external costs that can be caused by the building and expansion of an airport.[6]

0455/21/M/J/18

More governments are imposing taxes on unhealthy food and drinks. Such taxes are usually regressive. Some of these governments are also increasing their spending on healthcare. In other countries healthcare is provided by the private sector. The number of state-owned enterprises is declining in a number of countries due to privatisation.

- Explain why the social benefit of healthcare is greater than the private benefit. [4]

0455/22/F/M/18

Taxi drivers usually have to buy a licence to carry passengers. The relatively high fixed cost of the licence discourages some people from becoming taxi drivers. Encouraging more people to be taxi drivers would be likely to reduce taxi fares and unemployment. It may, however, increase traffic congestion.

- Explain why traffic congestion is an external cost. [4]

2.11 MIXED ECONOMIC SYSTEM

0455/22/O/N/23

In the US, the supply of meat from emus, a large bird, is price-elastic. Recently, US farmers have switched to keeping other livestock and growing crops that changed their demand for labour. US farmers are influenced by the subsidies the government provides for the production of selected food items. Some people are reluctant to become farm workers as they think living standards are low in rural areas.

- Explain two reasons why a government may subsidise food production. [4]

0455/22/M/J/23

In 2020, Australia had a high national minimum wage (NMW). The NMW is received by some people who work on Australian dairy farms. Australia produces milk and soft drinks. Milk is purchased by some people as an alternative to soft drinks. Some dairy farms and some small firms went out of business in 2020. The year saw an increase in the value of the country's floating foreign exchange rate.

- Identify two reasons why a government may set an NMW. [2]

0455/22/F/M/23

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 has fallen to 20% of all workers by 2020. In that year, Serbia had more state pensioners than workers.

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

0455/22/F/M/23

Vietnam has a high number of female entrepreneurs. Some of their firms have grown and now compete with foreign multinational companies (MNC) 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.

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

0455/22/F/M/23

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.

- Define minimum price. [2]

0455/23/M/J/21

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.

- Discuss whether consumers would benefit more from healthcare being provided by the private sector or the public sector.

0455/22/M/J/21

Nearly one million people in Cairo, the capital city of Egypt, live in crowded, unhealthy housing. One reason why people lack basic necessities, including adequate housing, is unemployment. In 2019, nearly 10% of Cairo's workers did not have a job. Other citizens of Cairo live in luxury, in houses costing more than \$1 million. Many of Cairo's rich adults grew up in rich families.

- Discuss whether a government should provide subsidies to families to spend on housing. [8]

0455/22/F/M/21

Sweden has a mixed economic system. In 2018, it was operating at a point inside its production possibility curve (PPC). In 2018, the country's schools employed nearly 2500 extra teachers. A few of these had previously been actors. A higher number had previously been government officials involved with regulation of Swedish monopolies.

- Define a mixed economic system. [2]

0455/22/F/M/21

In the Netherlands in 2018, there were 1.3 bicycles per person and the world's largest underground bicycle parking area was built in the capital city. Land is scarce in city centres, where most cycling takes place. Demand for bikes in the Netherlands is price-inelastic. Only a few people in the Netherlands borrow money to buy bikes. The government encourages cycling by spending on both bike parking areas and leisure cycle parks.

- Discuss whether or not a government should encourage more people to cycle. [8]

0455/21/M/J/22

Singapore is a high-income country with a shortage of land and labour. Singapore is often given as an example of a market economy. The Singaporean government does, however, intervene in the economy. For example, it encourages its population to eat two servings of fruit and two servings of vegetables per day.

- Discuss whether or not a market economic system benefits an economy. [8]

0455/21/M/J/22

Uganda specialises in agricultural products and has a relatively small secondary sector. In the 1990s, the Ugandan government privatised most of its firms, including banks and railways. Some economists thought this privatisation was unsuccessful because poverty increased and unemployment remained high. In recent years, the Ugandan government has used supply-side policy measures to reduce unemployment.

- Define privatisation. [2]

0455/22/F/M/21

In the Netherlands in 2018, there were 1.3 bicycles per person and the world's largest underground bicycle parking area was built in the capital city. Land is scarce in city centres, where most cycling takes place. Demand for bikes in the Netherlands is price-inelastic. Only a few people in the Netherlands borrow money to buy bikes. The government encourages cycling by spending on both bike parking areas and leisure cycle parks.

Analyse why households in one country may borrow more than households in another country. [6]

0455/22/O/N/20

The population of Hungary is the most obese in Europe. Hungarians eat fewer vegetables than most Europeans and more food types that may be considered to be demerit goods. In 2017, the Hungarian government introduced a tax on unhealthy food, known as the chips tax. The tax has had some success in moving demand to healthier foods. Some economists suggest that governments should use price controls as well as taxes to influence the food market.

- Discuss whether or not a government should impose a maximum price on food. [8]

0455/21/O/N/20

Among the reasons for Malaysia's continued economic growth are rises in consumer spending and the country's ability to adapt to changes in global demand. For example, when the price of natural rubber fell, most rubber plantations changed to palm oil production. The government has tried to promote the growth of different sectors, including the primary sector.

- State two sectors, other than the primary sector, in an economy. [2]

0455/23/M/J/20

Business-friendly fiscal policy in the United States (US) has encouraged firms to produce more. The US government has also encouraged mergers, including firms in the gas and electricity industries. Even though there are significant regulations, entrepreneurs have found that mergers enable them to maximise their profits. However, this may make markets less competitive and some states have imposed a maximum price for gas and electricity.

- Discuss whether or not maximum prices are beneficial. [8]

0455/22/M/J/20

The Indian government has declared that the country, now a major car producer, will sell only electric cars by 2030. The government wants to reduce external costs, some of which are caused by petrol and diesel cars. Demand for electric cars is currently relatively low and price-elastic. The government, however, thinks that it will not need to subsidise the production of electric cars to achieve its target.

- Analyse, using a demand and supply diagram, how a subsidy given to producers could affect the market for electric cars. [6]
- Discuss whether cars should be produced by the private sector or the public sector. [8]

0455/22/F/M/19

Botswana has a number of conservation projects. These are thought to provide a social benefit to local communities. Botswana has a mixed economic system with tax revenue as a percentage of GDP at 27% in 2017. Some Botswanan economists suggest that the country should move towards a market economic system, taking care to avoid market failure.

- Discuss the advantages and disadvantages of a market economic system. [8]

0455/21/O/N/18

The Malaysian government implemented the Vision 2020 policy which aims to make Malaysia a developed country by the year 2020. Along with this vision, the National Privatisation Policy was also implemented whereby various firms, such as those involved in telecommunications, were privatised. Poverty has significantly reduced since the implementation of these policy measures.

- Discuss whether or not moving firms from the public sector to the private sector will benefit an economy. [8]

0455/21/O/N/18

Droughts in the Pacific Coast region of the US and regulations, in the form of limits on the amount of salmon that can be caught in the wild, have reduced the supply of wild salmon. These limits were imposed to avoid market failure in the salmon market. However, the effect of this on the revenue of salmon producers is uncertain. In addition, producers of farmed salmon in the US states of Washington and Alaska have received subsidies from the US government.

- Discuss whether or not government subsidies are beneficial to producers. [8]

0455/23/M/J/18

The state of California has the most progressive tax system in the USA. The tax system helps reduce high poverty rates. Policy makers are considering reforming sales tax in the state to include services, while reducing the use of direct taxes.

- Analyse, using a supply and demand diagram, the effect of increasing a sales tax. [6]

0455/23/M/J/18

In the 1990s Cambodia became a mixed economy. One of the results of this was specialisation in the clothing industry. In 2005, import quotas for clothing in the key markets of the USA and the EU were removed. Clothing now accounts for 80% of Cambodia's exports. The increased role of the private sector has resulted in a rise in malnutrition in Cambodia.

- Discuss whether or not an increase in the role of the private sector will benefit an economy. [8]

0455/22/M/J/18

In the UK, bus journeys outside London have fallen by nearly 40% since 1980. This fall in demand has been largely due to a rise in bus fares, a rise in income and changes in the price and quality of substitutes. On some routes there are monopolies operating and this lack of competition can push up the price.

- Discuss whether or not a government should subsidise bus transport. [8]

0455/21/M/J/18

More governments are imposing taxes on unhealthy food and drinks. Such taxes are usually regressive. Some of these governments are also increasing their spending on healthcare. In other countries healthcare is provided by the private sector. The number of state-owned enterprises is declining in a number of countries due to privatisation.

- Discuss whether or not consumers are likely to benefit from state-owned enterprises becoming private sector firms. [8]

0455/22/F/M/18

France is a mixed economy. During recent years there have been a number of changes in its labour market. More workers are employed in the tertiary sector and fewer workers in the primary sector. Average working hours have increased and public sector workers have received wage rises.

- Define mixed economy. [2]

3.1 MONEY AND BANKING

0455/21/O/N/23

Digital money, such as cryptocurrencies, is increasingly being used. Digital money transactions take place on electronic devices such as computers and smartphones. However, there can be market failure due to external costs arising from high energy usage of non-renewable sources. One way of reducing external costs is to tax the product.

- Explain two functions of money. [4]

0455/21/M/J/23

Living standards, including education, have improved for most people in South Africa in recent years. Most households have more money and the government has more tax revenue. There is, however, considerable income inequality. In 2020, 36% of the population were living in poverty. An increase in unemployment benefit payments might reduce this poverty.

- Identify two functions of money. [2]

0455/22/M/J/23

In 2020, the largest Thai commercial bank merged with a smaller commercial Thai bank. It was expected that the merger would affect the price charged for bank services and the amount that would be lent. Thai commercial banks operate in the private sector. A growing private sector can move an economy towards a market economic system.

- Identify two influences, other than price, on a customer's choice of bank. [2]

0455/22/M/J/21

The money supply in Bangladesh increased every year from 2010 to 2018. Changes in the money supply and the foreign exchange rate can affect a government's macroeconomic policy aims, including full employment. There have been few mergers between commercial banks in Bangladesh, although its banks are larger than many of its other firms.

- Identify two functions of money. [2]
- Explain two reasons why commercial banks may want to merge. [4]

0455/23/O/N/20

It was announced in November 2016 that 500 and 1000 rupee banknotes could no longer be used in shops in India. These were replaced by the central bank, an institution that makes extensive use of division of labour. In India, cash is still an important form of money used in economic transactions. The replacement of banknotes put pressure on banking staff and other workers in the tertiary sector, and affected the general price level.

- State two functions, other than issuing banknotes and coins, of a central bank. [2]

0455/22/O/N/20

Italy is home to the world's oldest bank and some of the world's oldest car producers. Internationally, both industries are facing a number of challenges. The wages of bank workers and car workers are increasing. Demand for bank loans and for cars is changing, in part, due

to changes in population size. It is predicted that the price elasticity of demand (PED) for cars will also change in the future.

- State two functions of a commercial bank. [2]

0455/22/M/J/20

A number of countries are withdrawing high value banknotes. For instance, Singapore plans to stop issuing its \$10000 note. High value notes were originally intended to act as a convenient store of value. Central banks are concerned some notes are now being used illegally. The Singapore Police Force and the Monetary Authority of Singapore (its central bank) were trying to recruit more workers in 2017. It was expected that the central bank would raise the rate of interest in 2018.

- State two functions of money, other than a store of value. [2]
- Explain two advantages banknotes have as a form of money. [4]

0455/23/M/J/18

In early 2016, the central bank of the Republic of Turkey cut interest rates five times. This was despite an inflation rate of 7.6%. The economy had a combination of a low saving rate and weak investment. To stimulate economic growth the Turkish government announced a package of reforms including subsidies for research and investment.

- Identify two functions of a central bank. [2]

0455/22/M/J/18

In February 2016, share prices on stock exchanges fell throughout the world. There were a number of reasons for this; including concerns about the slowdown in world growth, the possibility of deflation and unemployment, and fears that some commercial banks could go out of business.

- Define commercial bank.
- Explain how a stock exchange could encourage economic growth. [4]

3.2 HOUSEHOLDS

0455/21/M/J/23

In Greece, rich households spend more than the average household. The amount of spending in an economy influences whether its production point is on or inside its production possibility curve (PPC). In 2020, household spending in Greece fell. This affected some firms' plans to merge. It also increased unemployment. More than half of those unemployed in Greece had been unemployed for more than a year.

- Identify two reasons why rich households spend more than the average household. [2]

0455/21/O/N/22

Jordan has a fixed foreign exchange rate with the US dollar. The monetary policy of Jordan, therefore, follows the monetary policy of the US very closely. Due to low confidence in the global economy in 2019, central banks around the world, including Jordan and the US, cut interest rates to stimulate growth. However, this may have conflicted with the macroeconomic aim of low inflation.

- Explain the effects of low confidence on both spending and borrowing. [4]

0455/23/M/J/21

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.

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

0455/22/M/J/21

Nearly one million people in Cairo, the capital city of Egypt, live in crowded, unhealthy housing. One reason why people lack basic necessities, including adequate housing, is unemployment. In 2019, nearly 10% of Cairo's workers did not have a job. Other citizens of Cairo live in luxury, in houses costing more than \$1 million. Many of Cairo's rich adults grew up in rich families.

- Analyse why the children of the rich tend to become rich adults. [6]

3.3 WORKERS

0455/22/O/N/23

In the US, the supply of meat from emus, a large bird, is price-elastic. Recently, US farmers have switched to keeping other livestock and growing crops that changed their demand for labour. US farmers are influenced by the subsidies the government provides for the production of selected food items. Some people are reluctant to become farm workers as they think living standards are low in rural areas.

- Analyse what influences a farmer's demand for labour. [6]

0455/22/M/J/23

In 2019, China's economic growth rate was 6.1% and Chinese households increased their spending. More Chinese people attended sports events and the earnings of top sportspeople increased. China exported more despite a rise in tariffs on some of its products. For example, the US imposed higher tariffs on the imports of Chinese tea and coffee.

- Explain two reasons why some top sportspeople have high earnings. [4]

0455/21/M/J/23

Many people from the Philippines work in another country, often in industries that provide merit goods and public goods. In 2020, the Philippine government raised more tax revenue. Some was spent on policy measures to increase life expectancy and some on policy measures to reduce unemployment. The country's unemployment rate was also affected by a rise in the country's foreign exchange rate.

- Identify two influences on which country a person decides to work in. [2]

0455/23/O/N/22

Poland is the world's top exporter of toothpaste, a product that is in inelastic demand. In 2019, some Polish firms producing toothpaste considered a horizontal merger. Also in 2019, the wages of dentists increased globally. This increase was particularly high in the UK where dentists received, on average, a 25% wage rise.

- Discuss whether or not an increase in the wages of dentists will increase the number of dentists employed. [8]

0455/22/F/M/23

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 experience advances in technology, a change in the current account balance on its balance of payments and a significant increase in the size of population.

- Explain two reasons why someone may choose to become a doctor. [4]

0455/22/O/N/22

The economic problem results in choices and opportunity cost. People have to decide what job to do and where to live. In recent years Australia has recruited teachers from a number of

countries including Canada, the UK and the US. Most of these teachers specialise in a single subject.

- Analyse why the wages of all teachers may increase. [6]
- Discuss whether or not a teacher would benefit from specialisation. [8]

0455/21/O/N/22

Medan is the third largest city in Indonesia by population. It is sometimes known as the city of a million shop-houses as many people start small firms at the street level of their homes. This has led to an increase in the market supply of industries such as cafes and clothes shops. Also, due to the growth in demand for food delivery, the unemployment rate has fallen. However, mobility of labour is limited both within Medan and within Indonesia

- Explain two influences on the mobility of labour. [4]

0455/23/M/J/21

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.

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

0455/22/F/M/21

Sweden has a mixed economic system. In 2018, it was operating at a point inside its production possibility curve (PPC). In 2018, the country's schools employed nearly 2500 extra teachers. A few of these had previously been actors. A higher number had previously been government officials involved with regulation of Swedish monopolies.

- Analyse why an actor may decide to become a teacher. [6]

0455/21/M/J/22

Singapore is a high-income country with a shortage of land and labour. Singapore is often given as an example of a market economy. The Singaporean government does, however, intervene in the economy. For example, it encourages its population to eat two servings of fruit and two servings of vegetables per day.

- Explain how an increase in a worker's income can affect their mobility of labour. [4]

0455/21/M/J/22

Uganda specialises in agricultural products and has a relatively small secondary sector. In the 1990s, the Ugandan government privatised most of its firms, including banks and railways. Some economists thought this privatisation was unsuccessful because poverty increased and unemployment remained high. In recent years, the Ugandan government has used supply-side policy measures to reduce unemployment.

- Analyse how specialisation can benefit firms. [6]

0455/21/M/J/22

Trade union membership is much higher in Sweden than in most countries. In 2019, 70% of Swedish workers were members of a trade union. More than 85% of Swedish workers are employed in the tertiary sector, compared with only 2% in the primary sector. Swedish workers spend their incomes on a variety of products some of which, e.g. sweets, are demerit goods. Sweden has the 7th highest per head consumption of sweets in the world.

- Discuss whether or not tertiary sector workers are paid more than primary sector workers. [8]

0455/23/O/N/20

It was announced in November 2016 that 500 and 1000 rupee banknotes could no longer be used in shops in India. These were replaced by the central bank, an institution that makes extensive use of division of labour. In India, cash is still an important form of money used in economic transactions. The replacement of banknotes put pressure on banking staff and other workers in the tertiary sector, and affected the general price level.

- Explain two reasons why workers in the tertiary sector may be paid more than workers in the primary sector. [4]
- Analyse the advantages for firms of using division of labour. [6]

0455/22/O/N/20

Wage rate growth has increased recently in Kazakhstan, but its economic growth rate has slowed. This is, in part, due to a fall in exports. To try to increase the economic growth rate, the government has increased its spending on investment. In August 2015, it adopted a floating foreign exchange rate system in an attempt to improve the country's macroeconomic performance.

- Define wages. [2]

0455/22/O/N/20

Italy is home to the world's oldest bank and some of the world's oldest car producers. Internationally, both industries are facing a number of challenges. The wages of bank workers and car workers are increasing. Demand for bank loans and for cars is changing, in part, due to changes in population size. It is predicted that the price elasticity of demand (PED) for cars will also change in the future.

- Analyse the possible causes of a rise in the wages of bank workers. [6]

0455/21/O/N/20

Free trade has allowed the Mexican economy to specialise in low-cost manufacturing. Unemployment nationally is relatively low, but approximately 50 million people were still considered to be in poverty in 2016. In addition, there are worries that technological advances will soon replace labour with capital.

- Analyse how firms can benefit from specialisation. [6]

0455/23/M/J/20

There is a high level of division of labour in the United Kingdom (UK) energy industry. Cold weather in early 2018 caused very high demand for energy and a change in its price. This led to a temporary shortage of energy for firms and households in the UK. Part of the change in

price may have been the result of UK energy firms abusing their monopoly power. This would be an example of market failure.

- Discuss whether or not workers benefit from division of labour. [8]

0455/22/M/J/20

A number of countries are withdrawing high value banknotes. For instance, Singapore plans to stop issuing its \$10000 note. High value notes were originally intended to act as a convenient store of value. Central banks are concerned some notes are now being used illegally. The Singapore Police Force and the Monetary Authority of Singapore (its central bank) were trying to recruit more workers in 2017. It was expected that the central bank would raise the rate of interest in 2018.

- Analyse the influences on the mobility of workers. [6]

0455/22/F/M/20

The main industries in the Seychelles, an island country in the Indian ocean, are tourism and fishing. The price elasticity of supply of fish is affected by the relatively short time that fish can be stored. Economic goods and free goods play a role in both fishing and tourism. With rises in the skills of workers and an increase in enterprise, GDP per head has increased by more than seven times over the last fifty years.

- Discuss whether or not skilled workers are always paid more than unskilled workers. [8]

455/22/F/M/19

The mobile (cell) phone industry is growing in Asia with more workers being employed. In March 2017, there was a merger between two mobile phone producers, both of which had relatively high fixed costs. This merger created one of the largest mobile phone firms and moved the Asian market further from perfect competition and closer to monopoly. It was expected that profits in the industry would increase as a result of the merger.

- Analyse what determines a firm's demand for labour. [6]

0455/21/O/N/18

During a recent recession in Europe, Spain had an unemployment rate of over 25%. This led to high levels of emigration from Spain into higher-wage European economies such as Germany and the UK. This has created both opportunities and problems in countries where immigration was higher than emigration.

- Explain two reasons for wage differentials between different economies. [4]

0455/21/O/N/18

Teachers in many countries oppose their governments' cuts in spending on education. They worry that this could reduce the standard of education and also the welfare of teachers employed in the state sector. Some teachers specialise in teaching one subject while others teach a number of subjects.

- Identify two reasons why a person may want to work in the state sector. [2]
- Discuss whether or not a worker would benefit by specialising. [8]

0455/22/M/J/18

In October 2015, the Chinese government switched from its one child policy to a two child policy partly because of the challenges caused by an ageing population. The birth rate was falling anyway due to rising female participation in the labour force, improvements in education, later marriages and the rapidly rising price of housing.

- Analyse why more women may enter the labour force. [6]

0455/21/M/J/18

More than 80% of Qatar's population are immigrants. Net immigration has helped to meet the country's demand for labour. As well as a shortage of workers, the country has a shortage of drinking water. The government has run public campaigns to stop people using their free supply of drinking water to fill their swimming pools and water their gardens. In 2016, the government increased its spending to increase the country's economic growth rate.

- Analyse what determines the demand for labour. [6]

0455/21/M/J/18

In England football stadiums are usually built and financed by the private sector, but in some countries the stadiums are built and financed by the government. Many football stadiums in the English Premier League are full on match days. In the short run the supply of seats is perfectly inelastic. The football clubs could actually raise prices, still sell their tickets and so raise their profits. Premier League footballers currently receive very high wages.

- Analyse why Premier League footballers receive very high wages. [6]

0455/22/F/M/18

France is a mixed economy. During recent years there have been a number of changes in its labour market. More workers are employed in the tertiary sector and fewer workers in the primary sector. Average working hours have increased and public sector workers have received wage rises.

- Discuss whether or not a government should increase the wages it pays to workers in the public sector. [8]

3.4 TRADE UNIONS

0455/21/O/N/23

One reason why the price of houses in cities such as Hong Kong, London, and New York is very high, is the low price elasticity of supply of houses. Trade unions in some of these cities are calling for more affordable housing for workers. Governments are also trying to implement various microeconomic policy measures to reduce the price of houses. In addition, the stability of the housing market can impact upon the effectiveness of monetary policy.

- Discuss whether or not trade unions benefit workers. [8]

0455/22/F/M/23

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 has fallen to 20% of all workers by 2020. In that year, Serbia had more state pensioners than workers.

- Analyse why workers decide not to join a trade union. [6]

0455/21/M/J/22

Trade union membership is much higher in Sweden than in most countries. In 2019, 70% of Swedish workers were members of a trade union. More than 85% of Swedish workers are employed in the tertiary sector, compared with only 2% in the primary sector. Swedish workers spend their incomes on a variety of products some of which, e.g. sweets, are demerit goods. Sweden has the 7th highest per head consumption of sweets in the world.

- Analyse why workers may join a trade union. [6]

0455/23/M/J/18

In 2016, the trade union representing doctors in the UK was involved in collective bargaining with the government over proposed changes to doctors' contracts. The trade union considered that the aim of the changes was to reduce the cost to the government of providing healthcare. It may also result in fewer individuals training to become doctors in the future.

- Identify two influences on the strength of a trade union's collective bargaining power.

[2]

- Explain the likely impact of trade unions on the welfare of their members. [4]

0455/21/M/J/18

The government of Slovenia has introduced a range of supply-side policy measures to influence the country's inflation rate. Among other factors affecting the economy is a change in trade union membership and strength.

- Discuss whether or not increasing the strength of trade unions will benefit an economy.

[8]

0455/22/F/M/18

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primary sector. Average working hours have increased and public sector workers have received wage rises.

- Analyse why a trade union may oppose a rise in working hours. [6]

3.5 FIRMS

0455/22/O/N/23

In 2020, some firms in Suriname, a South American country, stopped production. This was because the firms could not cover their variable costs, as well as some of their fixed costs. The reduction in the country's output resulted in a rise in its unemployment rate. The government used supply-side policy measures to reduce unemployment. In 2021, the number of firms in some markets fell again, but this time it was when output was rising.

- Discuss whether or not having fewer firms in a market will benefit consumers. [8]

0455/21/O/N/23

A third of the world's ski resorts are located in the Alps. Prices for holidays in the Alps are relatively higher than in other regions. The recent pandemic, however, reduced the revenues of many large and small firms in the tourism industry in the winter season of 2020/2021. Many blamed strict government regulations for this. However, government intervention also helped many firms to survive.

- Explain two advantages of a large firm. [4]

0455/22/M/J/23

In 2020, the largest Thai commercial bank merged with a smaller commercial Thai bank. It was expected that the merger would affect the price charged for bank services and the amount that would be lent. Thai commercial banks operate in the private sector. A growing private sector can move an economy towards a market economic system.

- Explain two reasons why a merger may result in higher prices for consumers. [4]

0455/21/O/N/22

Some firms have social welfare as their main objective. Globally, the number of this type of firm is increasing. Consumers are also starting to change their spending patterns by moving towards environmentally friendly products such as solar energy. Environmentally unfriendly firms are less able to make profits and some of these firms must merge to survive.

- Explain two types of merger. [4]

0455/22/F/M/22

New Zealand is a small country with a population of 5 million. Most New Zealand firms are relatively small and most do not experience diseconomies of scale. In 1894, New Zealand was the first country to introduce a national minimum wage. New Zealand experienced a rise in income per head every year between 2010 and 2019. During this period, 6% of New Zealand's households experienced absolute poverty.

- Define diseconomies of scale. [2]

0455/21/O/N/22

Medan is the third largest city in Indonesia by population. It is sometimes known as the city of a million shop-houses as many people start small firms at the street level of their homes. This has led to an increase in the market supply of industries such as cafes and clothes shops.

Also, due to the growth in demand for food delivery, the unemployment rate has fallen. However, mobility of labour is limited both within Medan and within Indonesia.

- Analyse the reasons for the existence of small firms. [6]

0455/22/M/J/21

The money supply in Bangladesh increased every year from 2010 to 2018. Changes in the money supply and the foreign exchange rate can affect a government's macroeconomic policy aims, including full employment. There have been few mergers between commercial banks in Bangladesh, although its banks are larger than many of its other firms.

- Discuss whether or not it is an advantage to keep a firm small. [8]

0455/23/M/J/20

Business-friendly fiscal policy in the United States (US) has encouraged firms to produce more. The US government has also encouraged mergers, including firms in the gas and electricity industries. Even though there are significant regulations, entrepreneurs have found that mergers enable them to maximise their profits. However, this may make markets less competitive and some states have imposed a maximum price for gas and electricity.

- Explain two types of mergers. [4]

0455/22/M/J/20

Mali is a low income and low productivity country in Africa. Its government is using fiscal policy to reduce poverty. The country's main industries are agriculture and gold mining. In recent years, however, there have been some changes in its resource allocation. The country is developing its iron ore industry. Globally, the iron ore industry is one which has experienced a significant number of mergers in recent years.

- Discuss whether or not mergers benefit an economy. [8]

0455/22/F/M/20

In 2017, the Brazilian paper industry was booming. Its total revenue increased and it employed both more, and better quality, factors of production. Brazil's largest paper producer merged with an Indonesian paper-producing firm at the end of 2017. The performance of Brazil's coffee industry differed from its paper industry. Brazilian coffee experienced a fall in demand and a fall in total revenue

- Analyse the possible effects on consumers of a merger between two paper-producing firms. [6]

0455/22/F/M/19

The mobile (cell) phone industry is growing in Asia with more workers being employed. In March 2017, there was a merger between two mobile phone producers, both of which had relatively high fixed costs. This merger created one of the largest mobile phone firms and moved the Asian market further from perfect competition and closer to monopoly. It was expected that profits in the industry would increase as a result of the merger.

- Discuss whether or not a merger will increase profits. [8]

0455/22/M/J/18

Farms in the USA are getting larger. One dairy farm in the state of Indiana has over 38000 cows. Farms in the USA compete with farms in both developed and developing countries. The value of the farms' exports of milk appears in the trade in goods section of the current account of the USA's balance of payments.

- Analyse the economies of scale from which a farm may benefit. [6]

0455/22/M/J/18

Swaziland is a small African country where six in ten people live in poverty and most firms are small and use little capital equipment. In October 2015 it opened a new airport. Some economists suggest that the building of the airport involved a high opportunity cost and caused a range of external costs. The building of the airport is part of the government's plan to turn the country from a developing into a developed country.

- Discuss whether people would prefer to buy a product from a small firm or a large firm. [8]

0455/22/F/M/18

South Africa has more than 700 state-owned enterprises, a number of which have engaged in vertical integration and horizontal integration. Some of the state-owned enterprises are monopolies, including a railway monopoly. A leading South African economist has argued that more of the country's resources should be devoted to building and operating new railway lines and stations.

- Explain the difference between vertical integration and horizontal integration. Give an example of each. [4]

3.6 FIRMS AND PRODUCTION

0455/22/F/M/23

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.

- Explain two advantages of capital intensive production. [4]

0455/22/F/M/23

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 experience advances in technology, a change in the current account balance on its balance of payments and a significant increase in the size of population.

- identify two causes of an increase in labour productivity. [2]

0455/23/M/J/21

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.

- Explain two causes of low productivity. [4]

0455/22/M/J/21

Consumers in Uruguay are eating more processed foods. Factors of production, including enterprise, have responded to this change. Firms in the processed food industry have become more capital-intensive. All of Uruguay's industries were affected by the rise in its inflation rate, from 6.2% in 2017 to 7.7% in 2018.

- Analyse why a firm may become more capital-intensive. [6]

0455/21/M/J/21

In 2018, the US had its lowest unemployment rate for 18 years. Cyclical unemployment was very low and so was the rate of inflation. The US also experienced a rise in labour productivity. However, it did not do so well in reducing poverty. In 2018, approximately 12% of Americans were living in poverty.

- Explain two ways a firm could increase the productivity of its workers. [4]

3.7 FIRMS' COSTS, REVENUE AND OBJECTIVES

0455/22/O/N/23

In 2020, some firms in Suriname, a South American country, stopped production. This was because the firms could not cover their variable costs, as well as some of their fixed costs. The reduction in the country's output resulted in a rise in its unemployment rate. The government used supply-side policy measures to reduce unemployment. In 2021, the number of firms in some markets fell again, but this time it was when output was rising.

- Define, with an example, a fixed cost. [2]

0455/21/O/N/23

A third of the world's ski resorts are located in the Alps. Prices for holidays in the Alps are relatively higher than in other regions. The recent pandemic, however, reduced the revenues of many large and small firms in the tourism industry in the winter season of 2020/2021. Many blamed strict government regulations for this. However, government intervention also helped many firms to survive.

- State how average revenue is calculated. [2]

0455/22/M/J/23

Canada's private sector firms have a number of different objectives. The quantity and quality of land used by these firms, including farms, has increased. There has also been increased investment with the firms buying more capital goods. In 2021, the Canadian government encouraged higher investment and aimed to prevent a rise in unemployment.

- Identify two objectives of private sector firms. [2]

0455/21/M/J/23

In Greece, rich households spend more than the average household. The amount of spending in an economy influences whether its production point is on or inside its production possibility curve (PPC). In 2020, household spending in Greece fell. This affected some firms' plans to merge. It also increased unemployment. More than half of those unemployed in Greece had been unemployed for more than a year.

- Discuss whether or not a government should encourage firms to merge. [8]

0455/21/O/N/22

Some firms have social welfare as their main objective. Globally, the number of this type of firm is increasing. Consumers are also starting to change their spending patterns by moving towards environmentally friendly products such as solar energy. Environmentally unfriendly firms are less able to make profits and some of these firms must merge to survive.

- Identify two examples of social welfare objectives of firms. [2]
- Discuss whether or not a merger can help a firm survive. [8]

0455/22/F/M/22

New Zealand is a small country with a population of 5 million. Most New Zealand firms are relatively small and most do not experience diseconomies of scale. In 1894, New Zealand

was the first country to introduce a national minimum wage. New Zealand experienced a rise in income per head every year between 2010 and 2019. During this period, 6% of New Zealand's households experienced absolute poverty.

- Analyse, using a diagram, the effect of an increase in output on average fixed cost (AFC) and total fixed cost (TFC). [6]

0455/21/M/J/21

Australia experienced a drought in 2018 which caused its agricultural output to fall. Australia's secondary and tertiary sectors performed better in 2018 than its primary sector. All three sectors were affected by the measures taken by the central bank to avoid deflation. Some firms benefited from these measures and increased their output.

- Discuss whether or not a firm should have growth as its main objective. [8]

0455/23/M/J/20

Business-friendly fiscal policy in the United States (US) has encouraged firms to produce more. The US government has also encouraged mergers, including firms in the gas and electricity industries. Even though there are significant regulations, entrepreneurs have found that mergers enable them to maximise their profits. However, this may make markets less competitive and some states have imposed a maximum price for gas and electricity.

- Define profit maximisation. [2]

0455/21/M/J/20

Australian firms have been praised for introducing new technology. The actions of some of these firms, however, cause market failure. The Australian government uses subsidies, among other policies, to reduce market failure. Government spending is used both to improve the performance of individual markets and the macroeconomy. The Australian government increased its spending in 2017, in part to reduce unemployment.

- State two objectives of firms. [2]

0455/22/F/M/20

In 2017, the Brazilian paper industry was booming. Its total revenue increased and it employed both more, and better quality, factors of production. Brazil's largest paper producer merged with an Indonesian paper-producing firm at the end of 2017. The performance of Brazil's coffee industry differed from its paper industry. Brazilian coffee experienced a fall in demand and a fall in total revenue.

- Define total revenue. [2]

0455/22/F/M/19

The mobile (cell) phone industry is growing in Asia with more workers being employed. In March 2017, there was a merger between two mobile phone producers, both of which had relatively high fixed costs. This merger created one of the largest mobile phone firms and moved the Asian market further from perfect competition and closer to monopoly. It was expected that profits in the industry would increase as a result of the merger.

- Identify two fixed costs. [2]
- Discuss whether or not a merger will increase profits. [8]

0455/21/M/J/18

In England football stadiums are usually built and financed by the private sector, but in some countries the stadiums are built and financed by the government. Many football stadiums in the English Premier League are full on match days. In the short run the supply of seats is perfectly inelastic. The football clubs could actually raise prices, still sell their tickets and so raise their profits. Premier League footballers currently receive very high wages.

- Explain two reasons why a firm may not aim to earn maximum profit. [4]

0455/22/F/M/18

Taxi drivers usually have to buy a licence to carry passengers. The relatively high fixed cost of the licence discourages some people from becoming taxi drivers. Encouraging more people to be taxi drivers would be likely to reduce taxi fares and unemployment. It may, however, increase traffic congestion.

- Define fixed cost. [2]

3.8 MARKET STRUCTURE

0455/22/M/J/23

In 2020, Australia had a high national minimum wage (NMW). The NMW is received by some people who work on Australian dairy farms. Australia produces milk and soft drinks. Milk is purchased by some people as an alternative to soft drinks. Some dairy farms and some small firms went out of business in 2020. The year saw an increase in the value of the country's floating foreign exchange rate.

- Discuss whether or not small firms are more likely to go out of business than large firms. [8]

0455/23/O/N/22

Washington State is the state which grows the most apples in the US. In 2019, apple production increased in Washington State but the market was in disequilibrium. Apple farming is a labour intensive industry because apples are picked by hand. The market for apples in the US is competitive.

- Discuss whether or not consumers benefit from a competitive market. [8]

0455/22/F/M/22

The economic problem means that countries have to decide what to produce. Ghana uses much of its agricultural land to grow cocoa. Cocoa is sold to chocolate producers. The world's main chocolate producer in 2019 was a US firm with a 14% share of the global market. That firm was the largest seller of chocolate in the US and, if it merges, may become a monopoly.

- Discuss whether or not consumers would benefit from a firm becoming a monopoly. [8]

0455/22/F/M/21

Sweden has a mixed economic system. In 2018, it was operating at a point inside its production possibility curve (PPC). In 2018, the country's schools employed nearly 2500 extra teachers. A few of these had previously been actors. A higher number had previously been government officials involved with regulation of Swedish monopolies.

- Discuss whether all monopolies have low costs of production. [8]

0455/23/O/N/20

Russia's birth rate fell by 11% in 2017 to its lowest level for a decade. Over the next 30 years, Russia's population is forecast to fall from 144 million to 107 million. The government announced measures to reverse this decline in population. In 2017, it also announced privatisation plans and measures to reverse a decrease in investment which could lead to a fall in the quantity of capital goods. Privatisation can reduce monopoly power in a market.

- Discuss whether or not a government should allow monopolies. [8]

0455/22/F/M/19

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- Explain two ways monopoly differs from perfect competition. [4]

0455/23/M/J/18

The production process in the oil industry is capital-intensive. The pollution it generates means it is one cause of environmental market failure. A Nigerian oil monopoly is starting to produce more environmentally friendly liquefied petroleum gas (LPG), rather than kerosene, in an attempt to reduce pollution. The Nigerian government intends to split the monopoly firm into separate companies to improve efficiency.

- Discuss whether or not removing a firm's monopoly power will benefit consumers. [8]

0455/22/M/J/18

In the UK, bus journeys outside London have fallen by nearly 40% since 1980. This fall in demand has been largely due to a rise in bus fares, a rise in income and changes in the price and quality of substitutes. On some routes there are monopolies operating and this lack of competition can push up the price.

- Explain two advantages a firm may gain from being a monopoly. [4]

0455/22/F/M/18

South Africa has more than 700 state-owned enterprises, a number of which have engaged in vertical integration and horizontal integration. Some of the state-owned enterprises are monopolies, including a railway monopoly. A leading South African economist has argued that more of the country's resources should be devoted to building and operating new railway lines and stations.

- Define state-owned enterprise. [2]
- Analyse how a monopoly could benefit consumers. [6]

4.1 THE ROLE OF GOVERNMENT

0455/21/O/N/23

One reason why the price of houses in cities such as Hong Kong, London, and New York is very high, is the low price elasticity of supply of houses. Trade unions in some of these cities are calling for more affordable housing for workers. Governments are also trying to implement various microeconomic policy measures to reduce the price of houses. In addition, the stability of the housing market can impact upon the effectiveness of monetary policy.

Explain two microeconomic policy measures that can be taken by a government to reduce the price of a product. [4]

0455/21/M/J/23

A third of the world's ski resorts are located in the Alps. Prices for holidays in the Alps are relatively higher than in other regions. The recent pandemic, however, reduced the revenues of many large and small firms in the tourism industry in the winter season of 2020/2021. Many blamed strict government regulations for this. However, government intervention also helped many firms to survive.

- Discuss whether or not government intervention is beneficial for firms. [8]

0455/21/M/J/23

Living standards, including education, have improved for most people in South Africa in recent years. Most households have more money and the government has more tax revenue. There is, however, considerable income inequality. In 2020, 36% of the population were living in poverty. An increase in unemployment benefit payments might reduce this poverty.

- Analyse the causes of an increase in a government's tax revenue. [6]

0455/21/M/J/22

Trade union membership is much higher in Sweden than in most countries. In 2019, 70% of Swedish workers were members of a trade union. More than 85% of Swedish workers are employed in the tertiary sector, compared with only 2% in the primary sector. Swedish workers spend their incomes on a variety of products some of which, e.g. sweets, are demerit goods. Sweden has the 7th highest per head consumption of sweets in the world.

- Explain two ways a government could decrease the consumption of demerit goods. [4]

0455/22/F/M/22

Botswana's net migration varies. In 2019, Botswana had net immigration. Since 2010, its unemployment rate has averaged 18%. Between 2010 and 2019, the number of women in the labour force increased from 380000 to 490000. Although Botswana is one of Africa's richer countries, its households do not save much of their income.

- Discuss whether or not a government should encourage an increase in saving. [8]

0455/23/M/J/20

In Nagicho, a small town in Japan, a woman on average has 2.8 children in her lifetime. In Japan as a whole, a woman on average only has 1.4 children in her lifetime. Nagicho's higher birth rate is partly the result of a lower cost of living for families, as the prices of basic items are lower in Nagicho than in the rest of Japan. The local government not only offers housing at subsidised rates, to get more labour into the area, but also tries to get more investment into the town.

State two functions of local government. [2]

0455/22/F/M/19

The economic problem results in people having to make choices. In Bulgaria, in recent years, people have changed how much they spend. The Bulgarian government is encouraging people to spend more. It is trying to ensure that deflation does not return and that the country will continue to experience an increase in output.

- Identify two ways a government could encourage people to spend more. [2]

0455/21/M/J/22

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- Identify two ways a government could encourage people to spend more. [2]

4.2 THE MACROECONOMIC AIMS OF GOVERNMENT

0455/22/F/M/23

Vietnam has a high number of female entrepreneurs. Some of their firms have grown and now compete with foreign multinational companies (MNC) 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.

- Analyse how a government could encourage the consumption of merit goods. [6]

0455/22/F/M/23

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.

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

0455/21/O/N/22

Jordan has a fixed foreign exchange rate with the US dollar. The monetary policy of Jordan, therefore, follows the monetary policy of the US very closely. Due to low confidence in the global economy in 2019, central banks around the world, including Jordan and the US, cut interest rates to stimulate growth. However, this may have conflicted with the macroeconomic aim of low inflation.

- Analyse how a cut in interest rates might create conflicts between macroeconomic aims. [6]

0455/23/M/J/21

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.

- Analyse how economic growth conflicts with balance of payments stability. [6]

0455/22/F/M/21

India has experienced a relatively high economic growth rate in recent years. This growth has been driven by increases in government spending and exports, including exports of textiles. India's unemployment rate has, however, increased. The government is concerned that trying to reduce unemployment may increase India's inflation rate.

- Discuss whether or not a government can reduce unemployment without increasing inflation. [8]

4.3 FISCAL POLICY

0455/21/O/N/23

Digital money, such as cryptocurrencies, is increasingly being used. Digital money transactions take place on electronic devices such as computers and smartphones. However, there can be market failure due to external costs arising from high energy usage of non-renewable sources. One way of reducing external costs is to tax the product.

- Identify two types of tax. [2]

0455/23/O/N/22

Romania's indirect tax rate was 19% between 2017 and 2019. There is a high proportion of foreign multinational companies (MNCs), especially US MNCs, in Romania. MNCs have helped to increase productivity in Romania and lower its unemployment rate. There are also benefits of MNCs to their home countries.

Define, with an example, an indirect tax. [2]

0455/22/O/N/22

In 2019, Russia had an unemployment rate of 4.6%. Russia experienced full employment in the past. Its government wants unemployment to be lower. In 2018, the Russian government cut its spending which may have increased poverty. In both 2018 and 2019, the government did not change its income tax rate. Russia operates a proportional tax rate system.

- Explain the difference between a proportional income tax system and a progressive income tax system. [4]

0455/21/M/J/22

Australia's foreign exchange rate fluctuates. The value of Australia's exports is regularly greater than the value of its imports. Australia is Papua New Guinea's main trading partner. In 2019, the government of Papua New Guinea increased income tax to reduce its inflation rate. It used other policy measures to increase its economic growth rate.

- Analyse how an increase in income tax can affect a country's inflation rate. [6]

0455/22/F/M/22

South Africa (SA) experienced a recession in the second half of 2019 and an unemployment rate of 29%. Only a small proportion of this unemployment was frictional. South Africa's foreign exchange rate fell from 1 SA rand = US\$0.08 in 2018 to 1 SA rand = US\$0.06 in 2019. South Africa had reduced import tariffs, but in 2019 some South African economists suggested tariffs should be used to protect its infant industries.

- Discuss whether or not a reduction in income tax will end a recession. [8]

0455/22/F/M/21

It is estimated that half of Egyptian men smoke. This is one of the highest rates in the world. In recent years the Egyptian government has increased the tax on cigarettes. The government and central bank have also tried to reduce inflation and improve Egypt's

international trade performance. The Egyptian government could use subsidies to reduce its deficit on the current account of its balance of payments.

- Identify two qualities of a good tax. [2]
- Explain two reasons why governments tax cigarettes. [4]

0455/22/O/N/20

The population of Hungary is the most obese in Europe. Hungarians eat fewer vegetables than most Europeans and more food types that may be considered to be demerit goods. In 2017, the Hungarian government introduced a tax on unhealthy food, known as the chips tax. The tax has had some success in moving demand to healthier foods. Some economists suggest that governments should use price controls as well as taxes to influence the food market.

- Analyse the effects on income distribution and tax revenue of an increase in indirect taxes. [6]

0455/22/O/N/20

Mexico has a history of trade deficits. The government is moving the economy closer to free trade, to try to improve its macroeconomic performance. It was predicted in 2017 that Mexico's economy would experience a small rise in its unemployment rate. In 2017 the economy's inflation rate was 6.6%, the highest rate since 2001. A number of policy measures may be used to reduce inflation, including increasing the rate of income tax.

- Discuss whether or not an increase in the rate of income tax will reduce inflation. [8]

0455/21/O/N/20

The election of a new president in South Africa in 2018 led to improvement in business and consumer confidence. Inflation rates fell despite a rise in total demand. One government policy measure established areas known as economic zones where firms pay lower, or no, taxes. These zones encourage domestic firms to become internationally competitive which could reduce the deficit on the current account of South Africa's balance of payment.

- Discuss whether or not lower taxes on firms will be beneficial for an economy. [8]

0455/23/M/J/20

Ireland has one of the lowest rates of corporation tax in Europe. This has encouraged many multinational companies (MNCs) to produce in Ireland. Other reasons why firms want to produce in Ireland include access to freer trade with other European countries, higher labour productivity and government grants.

- Explain two reasons why governments levy taxes. [4]

0455/22/M/J/20

In 2017, the Japanese government announced improvements to its tax system. The amount of tax raised is influenced by the size and age distribution of a country's population. Japan's birth and death rates are falling, its population is ageing, and it has low immigration. Overall, Japan's population is decreasing.

- State two qualities of a good tax. [2]

0455/21/M/J/20

Economists are uncertain about the future United States (US) macroeconomic performance. For instance, in recent years, US unemployment has fallen while the deficit on the current account of the balance of payments has fluctuated. Whether its current account deficit will rise or fall in the future may be affected by proposed tax cuts. Some economists suggest that the US government should not be concerned about the country's current account deficit.

- Analyse how tax cuts could increase exports. [6]

0455/22/F/M/20

The Chinese government reformed the Chinese tax system in 2016. It extended VAT (sales tax) from the sale of goods to the sale of services enabling it to cut the corporation tax rate. Taxes on goods and services are usually regressive. The Chinese government wanted to raise living standards and hoped that a cut in the tax rate firms pay would attract multinational companies (MNCs) to the country.

- State two reasons for levying taxes. [2]
- Explain the difference between a progressive tax and a regressive tax. [4]
- Analyse how a cut in the rates of corporation tax and income tax may influence the number of MNCs setting up in the country. [6]

0455/22/

Teachers in many countries oppose their governments' cuts in spending on education. They worry that this could reduce the standard of education and also the welfare of teachers employed in the state sector. Some teachers specialise in teaching one subject while others teach a number of subjects.

- Explain two reasons why a government may want to cut spending on education. [4]

0455/23/M/J/18

The state of California has the most progressive tax system in the USA. The tax system helps reduce high poverty rates. Policy makers are considering reforming sales tax in the state to include services, while reducing the use of direct taxes.

- Define progressive tax. [2]
- Discuss whether a government should increase indirect taxes and whether it should reduce direct taxes. [8]

0455/22/M/J/18

In February 2016, share prices on stock exchanges fell throughout the world. There were a number of reasons for this; including concerns about the slowdown in world growth, the possibility of deflation and unemployment, and fears that some commercial banks could go out of business.

- Discuss whether or not government policy measures to reduce unemployment will cause inflation. [8]

0455/21/M/J/18

More governments are imposing taxes on unhealthy food and drinks. Such taxes are usually regressive. Some of these governments are also increasing their spending on healthcare. In other countries healthcare is provided by the private sector. The number of state-owned enterprises is declining in a number of countries due to privatisation.

- Define regressive tax. [2]
- Analyse why a government imposes taxes. [6]

0455/21/M/J/18

In 2014, the government of Kazakhstan devalued its currency, the tenge. A year later the country still had a current account deficit. Therefore, in 2016 it considered adopting a floating exchange rate which might help to remove the deficit. However, it had concerns that this might affect the country's inflation rate which was already high at 17%.

- Analyse how fiscal policy measures could reduce inflation. [6]

0455/22/F/M/18

In March 2016, the Canadian government announced increases in government spending including an increased subsidy to environmentally friendly technology. It also announced that high income earners would face an increase from 29% to 33% in the highest rate of income tax. Changes in government spending and taxation can influence a country's inflation rate.

- Discuss whether or not an increase in the highest rate of income tax will benefit an economy. [8]

4.4 MONETARY POLICY

0455/21/O/N/23

One reason why the price of houses in cities such as Hong Kong, London, and New York is very high, is the low price elasticity of supply of houses. Trade unions in some of these cities are calling for more affordable housing for workers. Governments are also trying to implement various microeconomic policy measures to reduce the price of houses. In addition, the stability of the housing market can impact upon the effectiveness of monetary policy.

- Identify two monetary policy measures. [2]

0455/22/O/N/22

While 15% of US exports go to Mexico, 80% of Mexico's exports go to the US. In 2019, the US government imposed some methods of protection to reduce imports from Mexico. This US action caused a fall in Mexico's foreign exchange rate. Despite a rise in its inflation rate, Mexico's central bank reduced the rate of interest from 7.75% at the end of 2019 to 6.5% in March 2020.

- Discuss whether or not a decrease in the rate of interest will increase a country's GDP. [8]

0455/22/F/M/21

It is estimated that half of Egyptian men smoke. This is one of the highest rates in the world. In recent years the Egyptian government has increased the tax on cigarettes. The government and central bank have also tried to reduce inflation and improve Egypt's international trade performance. The Egyptian government could use subsidies to reduce its deficit on the current account of its balance of payments.

- Analyse how a central bank could reduce inflation. [6]

0455/22/M/J/20

A number of countries are withdrawing high value banknotes. For instance, Singapore plans to stop issuing its \$10000 note. High value notes were originally intended to act as a convenient store of value. Central banks are concerned some notes are now being used illegally. The Singapore Police Force and the Monetary Authority of Singapore (its central bank) were trying to recruit more workers in 2017. It was expected that the central bank would raise the rate of interest in 2018.

- Discuss whether or not a central bank should raise the rate of interest. [8]

0455/22/F/M/20

African countries are expected to experience growth in their output. It is also predicted that Africa's population will increase from 1.1bn in 2017 to 4.2bn by 2100, when Nigeria will account for one in twelve of the world's births. Nigeria and South Africa are expected to experience the greatest rise in investment (spending on capital goods) over this period, and a change in their gender distribution.

- Discuss whether or not a cut in the rate of interest will increase investment. [8]

0455/23/M/J/18

In early 2016, the central bank of the Republic of Turkey cut interest rates five times. This was despite an inflation rate of 7.6%. The economy had a combination of a low saving rate and weak investment. To stimulate economic growth the Turkish government announced a package of reforms including subsidies for research and investment.

- Analyse the impact of a cut in interest rates on saving and investment. [6]

4.5 SUPPLY-SIDE POLICY

0455/21/M/J/22

Uganda specialises in agricultural products and has a relatively small secondary sector. In the 1990s, the Ugandan government privatised most of its firms, including banks and railways. Some economists thought this privatisation was unsuccessful because poverty increased and unemployment remained high. In recent years, the Ugandan government has used supply-side policy measures to reduce unemployment.

- Discuss whether or not the use of supply-side policy measures will reduce unemployment. [8]

0455/23/O/N/20

The use of supply-side policy measures, including deregulation, is moving China closer to a market economic system. Some supply-side policy measures, such as education and subsidies, can also increase a country's economic growth rate. China joined the World Trade Organisation in 2001 and has since removed some quotas on imports and reduced some import tariffs. These measures may influence the size of its current account surplus.

- Define deregulation. [2]
- Analyse how education and subsidies can increase a country's economic growth rate. [6]

0455/21/O/N/20

Free trade has allowed the Mexican economy to specialise in low-cost manufacturing. Unemployment nationally is relatively low, but approximately 50 million people were still considered to be in poverty in 2016. In addition, there are worries that technological advances will soon replace labour with capital.

- Discuss whether or not supply-side policy measures can reduce unemployment. [8]

0455/23/M/J/18

In early 2016, the central bank of the Republic of Turkey cut interest rates five times. This was despite an inflation rate of 7.6%. The economy had a combination of a low saving rate and weak investment. To stimulate economic growth the Turkish government announced a package of reforms including subsidies for research and investment.

- Discuss the impact of supply-side policy measures on government expenditure and on government revenue. [8]

4.6 ECONOMIC GROWTH

0455/21/O/N/23

Malaysia once specialised in the production and export of natural rubber. The production of natural rubber was very labour-intensive. However, despite still being in the top 5 of natural rubber exporters in the world, Malaysia has moved towards producing manufactured goods that use natural rubber instead of just producing and exporting this primary product.

Discuss whether or not labour-intensive production will harm an economy. [8]

0455/23/O/N/22

Palau is a small island country in the Pacific Ocean. It has received considerable financial support from the US. Living standards are thought to be lower in Palau than in the US. Palau imposes some of the highest tariffs in the world. These trade tariffs affect Palau's current account of its balance of payments. In 2019, commercial bank lending to firms and households in Palau increased.

- Discuss whether or not an increase in commercial bank lending will increase economic growth. [8]

0455/21/O/N/22

Bulgaria is part of the European Union (EU), but it has much lower corporation tax rates than other EU members. However, regulation by the Bulgarian government has discouraged foreign investment into Bulgaria. In addition, Bulgaria's economic growth rate has decreased in recent years, due in part to a steady fall in its quantity of labour.

- Discuss whether or not a decrease in a country's economic growth rate will harm its economy. [8]

0455/21/M/J/22

Australia's foreign exchange rate fluctuates. The value of Australia's exports is regularly greater than the value of its imports. Australia is Papua New Guinea's main trading partner. In 2019, the government of Papua New Guinea increased income tax to reduce its inflation rate. It used other policy measures to increase its economic growth rate.

- Discuss whether or not governments should aim for a high rate of economic growth. [8]

0455/23/M/J/21

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.

- Define investment. [2]

0455/23/M/J/21

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.

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

0455/22/M/J/21

Turkey's birth rate is falling which is likely to reduce its supply of labour. However, improvements in the quality of labour and the increase in foreign multinational companies (MNCs) operating in Turkey (the host country to the MNCs) may help the economy avoid a recession. One reason why economists are worried that a recession may occur is an expected rise in the interest rate.

- Analyse how a rise in the interest rate could cause a recession. [6]

0455/21/M/J/21

The Canadian government has introduced a number of policy measures designed to encourage more women to enter the labour force. Canada's labour force has reduced as its population has aged. The number of workers and their output are influenced by changes in the country's foreign exchange rate and consumer expenditure. In 2018, the Canadian dollar fell in value while Canadian consumer expenditure increased.

- Discuss whether or not an economy will benefit from an increase in consumer expenditure. [8]

0455/22/F/M/21

India has experienced a relatively high economic growth rate in recent years. This growth has been driven by increases in government spending and exports, including exports of textiles. India's unemployment rate has, however, increased. The government is concerned that trying to reduce unemployment may increase India's inflation rate.

- Define economic growth. [2]
- Analyse how higher government spending could increase economic growth. [6]

0455/22/O/N/20

Wage rate growth has increased recently in Kazakhstan, but its economic growth rate has slowed. This is, in part, due to a fall in exports. To try to increase the economic growth rate, the government has increased its spending on investment. In August 2015, it adopted a floating foreign exchange rate system in an attempt to improve the country's macroeconomic performance.

- Analyse how a rise in investment could increase a country's economic growth rate. [6]

0455/23/M/J/20

In Nagicho, a small town in Japan, a woman on average has 2.8 children in her lifetime. In Japan as a whole, a woman on average only has 1.4 children in her lifetime. Nagicho's higher birth rate is partly the result of a lower cost of living for families, as the prices of basic items are lower in Nagicho than in the rest of Japan. The local government not only offers housing

at subsidised rates, to get more labour into the area, but also tries to get more investment into the town.

- Discuss whether or not increased investment is beneficial to an economy. [8]

0455/22/F/M/20

African countries are expected to experience growth in their output. It is also predicted that Africa's population will increase from 1.1bn in 2017 to 4.2bn by 2100, when Nigeria will account for one in twelve of the world's births. Nigeria and South Africa are expected to experience the greatest rise in investment (spending on capital goods) over this period, and a change in their gender distribution.

- Explain two benefits of a higher economic growth rate. [4]

0455/23/M/J/18

In 2016, there were fears that the Singaporean economy could enter a recession because of falling demand from China, its biggest export market. One of the results of a recession is likely to be a fall in consumer spending. A previous recession in 2008 had led to unemployment increasing from 1.6% to 3.4%. Singapore's central bank therefore decided to intervene in the foreign exchange market to influence the value of the currency.

- Define recession. [2]
- Explain why a recession is likely to reduce consumer spending. [4]
- Discuss whether or not an exchange rate depreciation will prevent an economy from experiencing a recession. [8]

0455/22/M/J/18

World output has grown in recent years, but a number of countries have experienced a recession. The removal of trade restrictions such as import tariffs has slowed down, reducing the growth of world trade.

- Explain two benefits of an increase in world output. [4]
- Analyse how a recession may reduce a country's imports. [6]

4.7 EMPLOYMENT AND UNEMPLOYMENT

0455/22/O/N/23

In 2020, some firms in Suriname, a South American country, stopped production. This was because the firms could not cover their variable costs, as well as some of their fixed costs. The reduction in the country's output resulted in a rise in its unemployment rate. The government used supply-side policy measures to reduce unemployment. In 2021, the number of firms in some markets fell again, but this time it was when output was rising.

- Explain two types of unemployment. [4]
- Analyse how supply-side policy measures could reduce unemployment. [6]

0455/22/M/J/23

Canada's private sector firms have a number of different objectives. The quantity and quality of land used by these firms, including farms, has increased. There has also been increased investment with the firms buying more capital goods. In 2021, the Canadian government encouraged higher investment and aimed to prevent a rise in unemployment.

- Analyse how an increase in investment may affect unemployment. [6]
- Discuss whether or not a government should try to prevent a rise in unemployment. [8]

0455/21/M/J/23

In Greece, rich households spend more than the average household. The amount of spending in an economy influences whether its production point is on or inside its production possibility curve (PPC). In 2020, household spending in Greece fell. This affected some firms' plans to merge. It also increased unemployment. More than half of those unemployed in Greece had been unemployed for more than a year.

- Analyse why someone who has been unemployed for more than a year may not get another job. [6]

0455/21/M/J/23

Germany's death rate is higher than some other countries, including Sweden, Cuba and the Maldives. Germany's labour force increased in size between 2011 and 2021 and has become even more productive. The country has also experienced low inflation and a growing surplus on the current account of its balance of payments.

- Explain two causes of an increase in the size of a country's labour force. [4]

0455/23/O/N/22

Romania's indirect tax rate was 19% between 2017 and 2019. There is a high proportion of foreign multinational companies (MNCs), especially US MNCs, in Romania. MNCs have helped to increase productivity in Romania and lower its unemployment rate. There are also benefits of MNCs to their home countries.

- Analyse how an increase in productivity can affect unemployment. [6]

0455/22/O/N/22

In 2019, Russia had an unemployment rate of 4.6%. Russia experienced full employment in the past. Its government wants unemployment to be lower. In 2018, the Russian government cut its spending which may have increased poverty. In both 2018 and 2019, the government did not change its income tax rate. Russia operates a proportional tax rate system.

- Define full employment. [2]
- Discuss whether or not a fall in a country's unemployment rate always benefits workers. [8]

0455/21/O/N/22

Bulgaria is part of the European Union (EU), but it has much lower corporation tax rates than other EU members. However, regulation by the Bulgarian government has discouraged foreign investment into Bulgaria. In addition, Bulgaria's economic growth rate has decreased in recent years, due in part to a steady fall in its quantity of labour.

- Explain two causes of a fall in the quantity of labour in a country. [4]

0455/21/O/N/22

Medan is the third largest city in Indonesia by population. It is sometimes known as the city of a million shop-houses as many people start small firms at the street level of their homes. This has led to an increase in the market supply of industries such as cafes and clothes shops. Also, due to the growth in demand for food delivery, the unemployment rate has fallen. However, mobility of labour is limited both within Medan and within Indonesia.

- Discuss whether or not a reduction in the unemployment rate benefits an economy. [8]

0455/23/M/J/21

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.

- Define structural unemployment. [2]
- Analyse how higher government spending and tax cuts can lead to a fall in cyclical unemployment. [6]

0455/22/M/J/21

Turkey's birth rate is falling which is likely to reduce its supply of labour. However, improvements in the quality of labour and the increase in foreign multinational companies (MNCs) operating in Turkey (the host country to the MNCs) may help the economy avoid a recession. One reason why economists are worried that a recession may occur is an expected rise in the interest rate.

- Explain two causes of an increase in the quality of labour in a country. [4]

0455/22/M/J/21

Nearly one million people in Cairo, the capital city of Egypt, live in crowded, unhealthy housing. One reason why people lack basic necessities, including adequate housing, is unemployment. In 2019, nearly 10% of Cairo's workers did not have a job. Other citizens of

Cairo live in luxury, in houses costing more than \$1 million. Many of Cairo's rich adults grew up in rich families.

- Explain how frictional unemployment differs from cyclical unemployment. [4]

0455/22/F/M/22

Botswana's net migration varies. In 2019, Botswana had net immigration. Since 2010, its unemployment rate has averaged 18%. Between 2010 and 2019, the number of women in the labour force increased from 380000 to 490000. Although Botswana is one of Africa's richer countries, its households do not save much of their income.

- Explain two consequences of unemployment. [4]
- Analyse why more women may join a country's labour force. [6]

0455/22/F/M/22

South Africa (SA) experienced a recession in the second half of 2019 and an unemployment rate of 29%. Only a small proportion of this unemployment was frictional. South Africa's foreign exchange rate fell from 1 SA rand = US\$0.08 in 2018 to 1 SA rand = US\$0.06 in 2019. South Africa had reduced import tariffs, but in 2019 some South African economists suggested tariffs should be used to protect its infant industries.

- Define frictional unemployment. [2]

0455/21/M/J/21

In 2018, the US had its lowest unemployment rate for 18 years. Cyclical unemployment was very low and so was the rate of inflation. The US also experienced a rise in labour productivity. However, it did not do so well in reducing poverty. In 2018, approximately 12% of Americans were living in poverty.

- Define cyclical unemployment. [2]

0455/21/M/J/20

Economists are uncertain about the future United States (US) macroeconomic performance. For instance, in recent years, US unemployment has fallen while the deficit on the current account of the balance of payments has fluctuated. Whether its current account deficit will rise or fall in the future may be affected by proposed tax cuts. Some economists suggest that the US government should not be concerned about the country's current account deficit.

- Explain two consequences to firms of unemployment. [4]

0455/22/F/M/19

Average life expectancy is as short for the poorest Americans as it is for the people of Sudan, a low-income African country. Low-income individuals tend to live longest in countries with more educated populations. Economic growth can increase education and reduce poverty. In 2017, the US President announced a cut in the tax on firms' profits. He said the measure would increase employment.

- Discuss whether or not a cut in the tax on firms' profits will increase employment. [8]

0455/21/O/N/18

During a recent recession in Europe, Spain had an unemployment rate of over 25%. This led to high levels of emigration from Spain into higher-wage European economies such as Germany and the UK. This has created both opportunities and problems in countries where immigration was higher than emigration.

- Define unemployment. [2]
- Analyse how a recession in one country could cause unemployment in another country. [6]

0455/23/M/J/18

In 2016, the trade union representing doctors in the UK was involved in collective bargaining with the government over proposed changes to doctors' contracts. The trade union considered that the aim of the changes was to reduce the cost to the government of providing healthcare. It may also result in fewer individuals training to become doctors in the future.

- Analyse the impact of a reduction in government expenditure on healthcare on a country's unemployment rate. [6]

0455/22/F/M/18

Taxi drivers usually have to buy a licence to carry passengers. The relatively high fixed cost of the licence discourages some people from becoming taxi drivers. Encouraging more people to be taxi drivers would be likely to reduce taxi fares and unemployment. It may, however, increase traffic congestion.

- Discuss whether or not a reduction in unemployment always increases living standards. [8]

4.8 INFLATION AND DEFLATION

0455/22/O/N/23

Botswana uses both capital goods and labour in its diamond mining industry. The country had an average economic growth rate of 3.8% between 2015 and 2019 compared to a global average of 2.8%. Over this period, the country experienced a low inflation rate and a move away from protectionism and towards free international trade.

- Explain two reasons why a low inflation rate may increase a country's economic growth rate. [4]

0455/21/M/J/23

Germany's death rate is higher than some other countries, including Sweden, Cuba and the Maldives. Germany's labour force increased in size between 2011 and 2021 and has become even more productive. The country has also experienced low inflation and a growing surplus on the current account of its balance of payments.

Discuss why some countries may experience lower inflation in the future and some may not. [8]

0455/21/O/N/22

Jordan has a fixed foreign exchange rate with the US dollar. The monetary policy of Jordan, therefore, follows the monetary policy of the US very closely. Due to low confidence in the global economy in 2019, central banks around the world, including Jordan and the US, cut interest rates to stimulate growth. However, this may have conflicted with the macroeconomic aim of low inflation.

- Define inflation. [2]

0455/23/M/J/21

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.

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

0455/22/M/J/21

Consumers in Uruguay are eating more processed foods. Factors of production, including enterprise, have responded to this change. Firms in the processed food industry have become more capital-intensive. All of Uruguay's industries were affected by the rise in its inflation rate, from 6.2% in 2017 to 7.7% in 2018.

- Discuss whether inflation harms a country's industries. [8]

0455/21/M/J/21

Australia experienced a drought in 2018 which caused its agricultural output to fall. Australia's secondary and tertiary sectors performed better in 2018 than its primary sector. All three sectors were affected by the measures taken by the central bank to avoid deflation. Some firms benefited from these measures and increased their output.

- Analyse how a central bank could avoid deflation. [6]

0455/21/M/J/21

In 2018, the US had its lowest unemployment rate for 18 years. Cyclical unemployment was very low and so was the rate of inflation. The US also experienced a rise in labour productivity. However, it did not do so well in reducing poverty. In 2018, approximately 12% of Americans were living in poverty.

- Analyse the advantages of a low rate of inflation. [6]

0455/23/O/N/20

It was announced in November 2016 that 500 and 1000 rupee banknotes could no longer be used in shops in India. These were replaced by the central bank, an institution that makes extensive use of division of labour. In India, cash is still an important form of money used in economic transactions. The replacement of banknotes put pressure on banking staff and other workers in the tertiary sector, and affected the general price level.

- Discuss whether or not deflation will benefit an economy. [8]

0455/21/O/N/20

The election of a new president in South Africa in 2018 led to improvement in business and consumer confidence. Inflation rates fell despite a rise in total demand. One government policy measure established areas known as economic zones where firms pay lower, or no, taxes. These zones encourage domestic firms to become internationally competitive which could reduce the deficit on the current account of South Africa's balance of payment.

- Explain why inflation may fall even if there is an increase in total demand. [4]

0455/21/M/J/20

Japan has a low immigration rate and a declining population. In recent years, it has experienced deflation and a rise in child poverty. By 2017, one in six Japanese children lived in a household with less than half of the average household income. Japan operates a national minimum wage which increased every year between 2010 and 2017. This may have affected the level of poverty in the country.

- Explain two consequences of deflation. [4]

0455/22/F/M/19

The economic problem results in people having to make choices. In Bulgaria, in recent years, people have changed how much they spend. The Bulgarian government is encouraging people to spend more. It is trying to ensure that deflation does not return and that the country will continue to experience an increase in output.

- Analyse why deflation may cause a fall in output. [6]
- Discuss whether or not a country will suffer if its output falls. [8]

0455/21/O/N/18

The largest airline in Pakistan was originally formed as a result of a merger between a state-owned airline and a private airline. In April 2016, the Pakistan government made this merged firm a public limited company. This was hoped to improve the productivity of this loss-making airline and also improve the overall economy of Pakistan.

- Analyse how increased productivity could reduce inflation. [6]

0455/23/M/J/18

In early 2016, the central bank of the Republic of Turkey cut interest rates five times. This was despite an inflation rate of 7.6%. The economy had a combination of a low saving rate and weak investment. To stimulate economic growth the Turkish government announced a package of reforms including subsidies for research and investment.

- Explain how the Consumer Prices Index (CPI) is calculated. [4]

0455/22/M/J/18

In February 2016, share prices on stock exchanges fell throughout the world. There were a number of reasons for this; including concerns about the slowdown in world growth, the possibility of deflation and unemployment, and fears that some commercial banks could go out of business.

- Analyse what can cause deflation. [6]
- Discuss whether or not government policy measures to reduce unemployment will cause inflation. [8]

0455/21/M/J/18

The government of Slovenia has introduced a range of supply-side policy measures to influence the country's inflation rate. Among other factors affecting the economy is a change in trade union membership and strength.

- Identify two price indices. [2]
- Analyse why a government may want to reduce its country's inflation rate. [6]

0455/22/F/M/18

In March 2016, the Canadian government announced increases in government spending including an increased subsidy to environmentally friendly technology. It also announced that high income earners would face an increase from 29% to 33% in the highest rate of income tax. Changes in government spending and taxation can influence a country's inflation rate.

- Explain two disadvantages of inflation. [4]
- Analyse how an increase in government spending may cause inflation. [6]

5.1 LIVING STANDARDS

0455/21/M/J/23

Many people from the Philippines work in another country, often in industries that provide merit goods and public goods. In 2020, the Philippine government raised more tax revenue. Some was spent on policy measures to increase life expectancy and some on policy measures to reduce unemployment. The country's unemployment rate was also affected by a rise in the country's foreign exchange rate.

- Analyse how an increase in government spending could increase life expectancy. [6]

0455/21/M/J/23

Germany's death rate is higher than some other countries, including Sweden, Cuba and the Maldives. Germany's labour force increased in size between 2011 and 2021 and has become even more productive. The country has also experienced low inflation and a growing surplus on the current account of its balance of payments.

- Identify two reasons why death rates may vary between countries. [2]

0455/22/F/M/23

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.

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

0455/23/M/J/21

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.

- Identify two indicators of living standards. [2]

0455/22/F/M/20

The Chinese government reformed the Chinese tax system in 2016. It extended VAT (sales tax) from the sale of goods to the sale of services enabling it to cut the corporation tax rate. Taxes on goods and services are usually regressive. The Chinese government wanted to raise living standards and hoped that a cut in the tax rate firms pay would attract multinational companies (MNCs) to the country.

- Discuss whether or not people in a high-income country always enjoy a higher living standard than those in a low-income country

0455/21/O/N/18

In 2016, there was a global surplus in the steel market pushing down steel prices. This situation led to various calls for protectionist measures by other steel producers such as those in the EU and the USA. However, such measures were not supported by car producers as approximately 22% of a car manufacturer's costs depend on steel prices.

- Discuss whether or not protectionism is effective in raising living standards. [8]

0455/23/M/J/18

In 2016, the trade union representing doctors in the UK was involved in collective bargaining with the government over proposed changes to doctors' contracts. The trade union considered that the aim of the changes was to reduce the cost to the government of providing healthcare. It may also result in fewer individuals training to become doctors in the future.

- Discuss whether or not a decrease in the number of doctors will reduce living standards. [8]

5.2 POVERTY

0455/21/M/J/23

Living standards, including education, have improved for most people in South Africa in recent years. Most households have more money and the government has more tax revenue. There is, however, considerable income inequality. In 2020, 36% of the population were living in poverty. An increase in unemployment benefit payments might reduce this poverty.

Discuss whether or not an increase in unemployment benefit payments would reduce poverty. [8]

0455/23/O/N/22

Poland is the world's top exporter of toothpaste, a product that is in inelastic demand. In 2019, some Polish firms producing toothpaste considered a horizontal merger. Also in 2019, the wages of dentists increased globally. This increase was particularly high in the UK where dentists received, on average, a 25% wage rise.

- Discuss whether or not a decrease in a country's unemployment rate will reduce poverty. [8]

0455/22/O/N/22

In 2019, Russia had an unemployment rate of 4.6%. Russia experienced full employment in the past. Its government wants unemployment to be lower. In 2018, the Russian government cut its spending which may have increased poverty. In both 2018 and 2019, the government did not change its income tax rate. Russia operates a proportional tax rate system.

- Analyse why a cut in government spending might increase poverty. [6]

0455/21/M/J/21

In 2018, the US had its lowest unemployment rate for 18 years. Cyclical unemployment was very low and so was the rate of inflation. The US also experienced a rise in labour productivity. However, it did not do so well in reducing poverty. In 2018, approximately 12% of Americans were living in poverty .

- Discuss whether or not a fall in a country's unemployment rate will reduce poverty in that country. [8]

0455/23/O/N/20

Changes in tobacco production and consumption can have both microeconomic and macroeconomic effects. Tobacco plants are grown in at least 124 countries with different levels of development. A higher proportion of the poor than of the rich consume tobacco products. The market for cigarettes, produced using tobacco, is changing. Demand for cigarettes and some other demerit goods is declining in a number of countries.

- Analyse how a cut in the interest rate could reduce poverty. [6]

0455/21/O/N/20

Free trade has allowed the Mexican economy to specialise in low-cost manufacturing. Unemployment nationally is relatively low, but approximately 50 million people were still considered to be in poverty in 2016. In addition, there are worries that technological advances will soon replace labour with capital.

- Explain the two types of poverty. [4]

0455/22/M/J/20

Mali is a low income and low productivity country in Africa. Its government is using fiscal policy to reduce poverty. The country's main industries are agriculture and gold mining. In recent years, however, there have been some changes in its resource allocation. The country is developing its iron ore industry. Globally, the iron ore industry is one which has experienced a significant number of mergers in recent years.

- Explain two fiscal policy measures that can be used to reduce poverty. [4]

0455/22/F/M/22

New Zealand is a small country with a population of 5 million. Most New Zealand firms are relatively small and most do not experience diseconomies of scale. In 1894, New Zealand was the first country to introduce a national minimum wage. New Zealand experienced a rise in income per head every year between 2010 and 2019. During this period, 6% of New Zealand's households experienced absolute poverty.

- Analyse why children from low-income families may have low incomes as adults. [6]
- Discuss whether or not the introduction of a national minimum wage will reduce poverty. [8]

0455/21/M/J/20

Japan has a low immigration rate and a declining population. In recent years, it has experienced deflation and a rise in child poverty. By 2017, one in six Japanese children lived in a household with less than half of the average household income. Japan operates a national minimum wage which increased every year between 2010 and 2017. This may have affected the level of poverty in the country.

- Discuss whether or not a national minimum wage will reduce poverty. [8]

0455/22/F/M/19

Average life expectancy is as short for the poorest Americans as it is for the people of Sudan, a low-income African country. Low-income individuals tend to live longest in countries with more educated populations. Economic growth can increase education and reduce poverty. In 2017, the US President announced a cut in the tax on firms' profits. He said the measure would increase employment.

- Analyse how economic growth can reduce absolute poverty. [6]

0455/21/O/N/18

The Malaysian government implemented the Vision 2020 policy which aims to make Malaysia a developed country by the year 2020. Along with this vision, the National Privatisation Policy was also implemented whereby various firms, such as those involved in telecommunications, were privatised. Poverty has significantly reduced since the implementation of these policy measures.

- Identify the difference between absolute poverty and relative poverty. [2]
- Analyse two policy measures to alleviate poverty. [6]

0455/23/M/J/18

The state of California has the most progressive tax system in the USA. The tax system helps reduce high poverty rates. Policy makers are considering reforming sales tax in the state to include services, while reducing the use of direct taxes.

- Explain two reasons why a government may want to reduce poverty. [4]

0455/22/F/M/18

The effects of a depreciation of a currency are influenced by the price elasticity of demand of exports and imports. Worldwide there has been a reduction in trade barriers including tariffs. There has also been an increase in the movement of goods and services between countries and, to a lesser extent, the movement of people. Some countries experience net emigration with more people leaving the country than entering it.

- Discuss whether or not net emigration will reduce poverty in a country. [8]

5.3 POPULATION

0455/22/O/N/23

In 2020, Singapore experienced a decrease in both its population size and its labour force. 2020 was a year of great change in a number of Singaporean markets. Some moved from disequilibrium to equilibrium. Despite all these changes, Singapore managed to increase its exports of goods and services.

- Identify two benefits of a decrease in a country's population size. [2]

0455/22/O/N/22

Advances in technology have changed how trees (wood) are cut down, transported and used in the manufacture of furniture, such as tables. Wood is in inelastic supply. Wood can be supplied in all economic systems. However, public goods are not supplied in a market economic system.

- Discuss whether or not advances in technology will benefit a country's population. [8]

0455/22/F/M/23

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 experience advances in technology, a change in the current account balance on its balance of payments and a significant increase in the size of population.

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

0455/22/M/J/21

Turkey's birth rate is falling which is likely to reduce its supply of labour. However, improvements in the quality of labour and the increase in foreign multinational companies (MNCs) operating in Turkey (the host country to the MNCs) may help the economy avoid a recession. One reason why economists are worried that a recession may occur is an expected rise in the interest rate.

- Define birth rate. [2]

0455/21/M/J/21

The Canadian government has introduced a number of policy measures designed to encourage more women to enter the labour force. Canada's labour force has reduced as its population has aged. The number of workers and their output are influenced by changes in the country's foreign exchange rate and consumer expenditure. In 2018, the Canadian dollar fell in value while Canadian consumer expenditure increased.

- Explain two causes of an ageing population. [4]

0455/23/O/N/20

Russia's birth rate fell by 11% in 2017 to its lowest level for a decade. Over the next 30 years, Russia's population is forecast to fall from 144 million to 107 million. The government announced measures to reverse this decline in population. In 2017, it also announced

privatisation plans and measures to reverse a decrease in investment which could lead to a fall in the quantity of capital goods. Privatisation can reduce monopoly power in a market.

- Explain two causes of a fall in the birth rate. [4]

0455/22/O/N/20

Italy is home to the world's oldest bank and some of the world's oldest car producers. Internationally, both industries are facing a number of challenges. The wages of bank workers and car workers are increasing. Demand for bank loans and for cars is changing, in part, due to changes in population size. It is predicted that the price elasticity of demand (PED) for cars will also change in the future.

- Explain two reasons why emigration from a country may increase. [4]

0455/23/M/J/20

In Nagicho, a small town in Japan, a woman on average has 2.8 children in her lifetime. In Japan as a whole, a woman on average only has 1.4 children in her lifetime. Nagicho's higher birth rate is partly the result of a lower cost of living for families, as the prices of basic items are lower in Nagicho than in the rest of Japan. The local government not only offers housing at subsidised rates, to get more labour into the area, but also tries to get more investment into the town.

- Explain how a lower cost of living can encourage population growth. [4]

0455/22/M/J/20

In 2017, the Japanese government announced improvements to its tax system. The amount of tax raised is influenced by the size and age distribution of a country's population. Japan's birth and death rates are falling, its population is ageing, and it has low immigration. Overall, Japan's population is decreasing.

- Discuss whether or not an ageing population is a benefit to an economy. [8]

0455/22/M/J/20

In 2017, the Japanese government announced improvements to its tax system. The amount of tax raised is influenced by the size and age distribution of a country's population. Japan's birth and death rates are falling, its population is ageing, and it has low immigration. Overall, Japan's population is decreasing.

- Explain two causes of a decrease in the death rate. [4]

0455/22/F/M/22

Botswana's net migration varies. In 2019, Botswana had net immigration. Since 2010, its unemployment rate has averaged 18%. Between 2010 and 2019, the number of women in the labour force increased from 380000 to 490000. Although Botswana is one of Africa's richer countries, its households do not save much of their income.

- Identify two reasons why immigration may increase. [2]

0455/21/M/J/20

Japan has a low immigration rate and a declining population. In recent years, it has experienced deflation and a rise in child poverty. By 2017, one in six Japanese children lived

in a household with less than half of the average household income. Japan operates a national minimum wage which increased every year between 2010 and 2017. This may have affected the level of poverty in the country.

- State two benefits a country may gain from immigration. [2]

0455/22/F/M/20

African countries are expected to experience growth in their output. It is also predicted that Africa's population will increase from 1.1bn in 2017 to 4.2bn by 2100, when Nigeria will account for one in twelve of the world's births. Nigeria and South Africa are expected to experience the greatest rise in investment (spending on capital goods) over this period, and a change in their gender distribution.

- Define gender distribution. [2]
- Analyse the disadvantages of a rapidly growing population. [6]

0455/22/F/M/19

Average life expectancy is as short for the poorest Americans as it is for the people of Sudan, a low-income African country. Low-income individuals tend to live longest in countries with more educated populations. Economic growth can increase education and reduce poverty. In 2017, the US President announced a cut in the tax on firms' profits. He said the measure would increase employment.

- Identify two reasons why someone may want to migrate to the USA. [2]

0455/21/O/N/18

During a recent recession in Europe, Spain had an unemployment rate of over 25%. This led to high levels of emigration from Spain into higher-wage European economies such as Germany and the UK. This has created both opportunities and problems in countries where immigration was higher than emigration.

- Discuss whether the economic advantages of immigration into countries such as the UK and Germany outweigh the economic disadvantages. [8]

0455/22/M/J/18

In October 2015, the Chinese government switched from its one child policy to a two child policy partly because of the challenges caused by an ageing population. The birth rate was falling anyway due to rising female participation in the labour force, improvements in education, later marriages and the rapidly rising price of housing.

- Discuss whether or not a rise in the birth rate will benefit an economy. [8]

0455/22/M/J/18

In October 2015, the Chinese government switched from its one child policy to a two child policy partly because of the challenges caused by an ageing population. The birth rate was falling anyway due to rising female participation in the labour force, improvements in education, later marriages and the rapidly rising price of housing.

- Identify two causes of an ageing population. [2]

0455/22/F/M/18

It is forecast that by 2022 India will overtake China as the world's most highly populated country. China's birth rate is lower than India's and China has a higher proportion of its population aged over 65. By 2050, it is estimated that 500 million Chinese people and 330 million Indian people will be over 65. Changes in population size and age structure affect the quantity and quality of a country's resources.

- Analyse the reasons why a country's birth rate may fall. [6]
- Discuss whether or not a government should be worried about an increase in the proportion of its population that is aged over 65. [8]

5.1 DIFFERENCES IN ECONOMIC DEVELOPMENT BETWEEN COUNTRIES

0455/22/O/N/23

In the US, the supply of meat from emus, a large bird, is price-elastic. Recently, US farmers have switched to keeping other livestock and growing crops that changed their demand for labour. US farmers are influenced by the subsidies the government provides for the production of selected food items. Some people are reluctant to become farm workers as they think living standards are low in rural areas.

- Discuss whether or not people living in cities have a higher living standard than those living in rural areas.

0455/23/O/N/22

Palau is a small island country in the Pacific Ocean. It has received considerable financial support from the US. Living standards are thought to be lower in Palau than in the US. Palau imposes some of the highest tariffs in the world. These trade tariffs affect Palau's current account of its balance of payments. In 2019, commercial bank lending to firms and households in Palau increased.

- Explain two reasons for differences in living standards between countries. [4]

0455/23/M/J/21

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.

- Define economic development. [2]
- Explain two reasons why children in rural areas may receive less education than those in cities. [4]

0455/22/F/M/21

In the Netherlands in 2018, there were 1.3 bicycles per person and the world's largest underground bicycle parking area was built in the capital city. Land is scarce in city centres, where most cycling takes place. Demand for bikes in the Netherlands is price-inelastic. Only a few people in the Netherlands borrow money to buy bikes. The government encourages cycling by spending on both bike parking areas and leisure cycle parks.

- Analyse why households in one country may borrow more than households in another country. [6]

0455/23/O/N/20

Changes in tobacco production and consumption can have both microeconomic and macroeconomic effects. Tobacco plants are grown in at least 124 countries with different levels of development. A higher proportion of the poor than of the rich consume tobacco products. The market for cigarettes, produced using tobacco, is changing. Demand for cigarettes and some other demerit goods is declining in a number of countries.

- Explain two causes of differences in economic development between countries. [4]

0455/22/M/J/20

Mali is a low income and low productivity country in Africa. Its government is using fiscal policy to reduce poverty. The country's main industries are agriculture and gold mining. In recent years, however, there have been some changes in its resource allocation. The country is developing its iron ore industry. Globally, the iron ore industry is one which has experienced a significant number of mergers in recent years.

- Analyse why a country may have low productivity. [6]

0455/22/F/M/19

Average life expectancy is as short for the poorest Americans as it is for the people of Sudan, a low-income African country. Low-income individuals tend to live longest in countries with more educated populations. Economic growth can increase education and reduce poverty. In 2017, the US President announced a cut in the tax on firms' profits. He said the measure would increase employment.

- Explain two reasons why less-educated people tend to have a shorter life expectancy than people who have received more education. [4]

0455/21/O/N/18

The Malaysian government implemented the Vision 2020 policy which aims to make Malaysia a developed country by the year 2020. Along with this vision, the National Privatisation Policy was also implemented whereby various firms, such as those involved in telecommunications, were privatised. Poverty has significantly reduced since the implementation of these policy measures.

- Explain two characteristics of a developed country. [4]

0455/22/M/J/18

World output has grown in recent years, but a number of countries have experienced a recession. The removal of trade restrictions such as import tariffs has slowed down, reducing the growth of world trade.

- Discuss whether or not a developing country will benefit from the removal of trade restrictions. [8]

0455/22/M/J/18

Farms in the USA are getting larger. One dairy farm in the state of Indiana has over 38000 cows. Farms in the USA compete with farms in both developed and developing countries. The value of the farms' exports of milk appears in the trade in goods section of the current account of the USA's balance of payments.

- Discuss whether or not developing countries benefit from producing mainly primary products. [8]

0455/22/M/J/18

Swaziland is a small African country where six in ten people live in poverty and most firms are small and use little capital equipment. In October 2015 it opened a new airport. Some economists suggest that the building of the airport involved a high opportunity cost and

caused a range of external costs. The building of the airport is part of the government's plan to turn the country from a developing into a developed country.

- Explain two reasons why a government would want to turn its country from a developing into a developed country. [4]

6.1 INTERNATIONAL SPECIALISATION

0455/22/O/N/23

Botswana uses both capital goods and labour in its diamond mining industry. The country had an average economic growth rate of 3.8% between 2015 and 2019 compared to a global average of 2.8%. Over this period, the country experienced a low inflation rate and a move away from protectionism and towards free international trade.

- Discuss whether or not a country will benefit from diamond mining. [8]

0455/21/O/N/23

Malaysia once specialised in the production and export of natural rubber. The production of natural rubber was very labour-intensive. However, despite still being in the top 5 of natural rubber exporters in the world, Malaysia has moved towards producing manufactured goods that use natural rubber instead of just producing and exporting this primary product.

- Identify, other than natural rubber, two primary-sector products. [2]
- Explain two reasons why a country may change its specialisation. [4]
- Analyse the economic benefits for a country in producing manufactured goods instead of primary-sector products. [6]

0455/21/M/J/21

There is an area of rubbish, three times the size of France, floating in the Pacific Ocean called the Great Pacific Garbage Patch. It is made up of rubbish including old fishing nets but most is plastic waste. It is forecast that, by 2050, there will be more plastic in the Pacific Ocean than fish. A number of islands in the Pacific Ocean specialise in fishing. Greater pollution will increase the social cost of the fishing industry.

- Discuss whether or not countries specialising benefits consumers. [8]

0455/21/O/N/20

South east Asian countries have reduced tariffs between themselves through the ASEAN Free Trade Agreement. ASEAN member countries are also removing non-tariff methods of protection. The intention is to raise economic growth through more international trade. This should enable small and medium-sized firms in ASEAN countries to grow and increase their exports.

- Discuss whether or not increased international trade can promote economic growth. [8]

0455/23/M/J/18

In the 1990s Cambodia became a mixed economy. One of the results of this was specialisation in the clothing industry. In 2005, import quotas for clothing in the key markets of the USA and the EU were removed. Clothing now accounts for 80% of Cambodia's exports. The increased role of the private sector has resulted in a rise in malnutrition in Cambodia.

- Explain two advantages to a country of specialisation. [4]

6.2 GLOBALISATION, FREE TRADE AND PROTECTION

0455/22/O/N/23

In 2020, Singapore experienced a decrease in both its population size and its labour force. 2020 was a year of great change in a number of Singaporean markets. Some moved from disequilibrium to equilibrium. Despite all these changes, Singapore managed to increase its exports of goods and services.

- Discuss whether or not an increase in exports will benefit an economy. [8]

0455/22/O/N/23

Botswana uses both capital goods and labour in its diamond mining industry. The country had an average economic growth rate of 3.8% between 2015 and 2019 compared to a global average of 2.8%. Over this period, the country experienced a low inflation rate and a move away from protectionism and towards free international trade.

- Analyse how a government could reduce protectionism and move towards free international trade. [6]

0455/22/M/J/23

In 2019, China's economic growth rate was 6.1% and Chinese households increased their spending. More Chinese people attended sports events and the earnings of top sportspeople increased. China exported more despite a rise in tariffs on some of its products. For example, the US imposed higher tariffs on the imports of Chinese tea and coffee.

- Analyse the reasons for imposing tariffs on imports. [6]

0455/22/F/M/23

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.

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

0455/23/O/N/22

Palau is a small island country in the Pacific Ocean. It has received considerable financial support from the US. Living standards are thought to be lower in Palau than in the US. Palau imposes some of the highest tariffs in the world. These trade tariffs affect Palau's current account of its balance of payments. In 2019, commercial bank lending to firms and households in Palau increased.

- Analyse the reasons why a country may impose tariffs on imports. [6]

0455/23/O/N/22

Romania's indirect tax rate was 19% between 2017 and 2019. There is a high proportion of foreign multinational companies (MNCs), especially US MNCs, in Romania. MNCs have

helped to increase productivity in Romania and lower its unemployment rate. There are also benefits of MNCs to their home countries.

- Explain two benefits of MNCs to their home countries. [4]

0455/22/O/N/22

While 15% of US exports go to Mexico, 80% of Mexico's exports go to the US. In 2019, the US government imposed some methods of protection to reduce imports from Mexico. This US action caused a fall in Mexico's foreign exchange rate. Despite a rise in its inflation rate, Mexico's central bank reduced the rate of interest from 7.75% at the end of 2019 to 6.5% in March 2020.

- Identify two methods of protection. [2]
- Explain two reasons why a government may want to reduce imports. [4]

0455/21/O/N/22

Bulgaria is part of the European Union (EU), but it has much lower corporation tax rates than other EU members. However, regulation by the Bulgarian government has discouraged foreign investment into Bulgaria. In addition, Bulgaria's economic growth rate has decreased in recent years, due in part to a steady fall in its quantity of labour.

- Analyse how differences in the rates of corporation tax between countries may affect multinational companies (MNCs). [6]

0455/22/M/J/21

Turkey's birth rate is falling which is likely to reduce its supply of labour. However, improvements in the quality of labour and the increase in foreign multinational companies (MNCs) operating in Turkey (the host country to the MNCs) may help the economy avoid a recession. One reason why economists are worried that a recession may occur is an expected rise in the interest rate.

- Discuss whether or not MNCs improve the economic performance of the host countries in which they operate. [8]

0455/22/O/N/20

Wage rate growth has increased recently in Kazakhstan, but its economic growth rate has slowed. This is, in part, due to a fall in exports. To try to increase the economic growth rate, the government has increased its spending on investment. In August 2015, it adopted a floating foreign exchange rate system in an attempt to improve the country's macroeconomic performance.

- Explain two reasons, other than methods of protection, why a country's exports may fall. [4]

0455/22/O/N/20

Mexico has a history of trade deficits. The government is moving the economy closer to free trade, to try to improve its macroeconomic performance. It was predicted in 2017 that Mexico's economy would experience a small rise in its unemployment rate. In 2017 the economy's inflation rate was 6.6%, the highest rate since 2001. A number of policy measures may be used to reduce inflation, including increasing the rate of income tax.

- Explain two benefits producers may gain from free trade. [4]

0455/21/O/N/20

South east Asian countries have reduced tariffs between themselves through the ASEAN Free Trade Agreement. ASEAN member countries are also removing non-tariff methods of protection. The intention is to raise economic growth through more international trade. This should enable small and medium-sized firms in ASEAN countries to grow and increase their exports.

- Define tariffs. [2]
- Explain two non-tariff methods of protection. [4]

0455/23/M/J/20

Ireland has one of the lowest rates of corporation tax in Europe. This has encouraged many multinational companies (MNCs) to produce in Ireland. Other reasons why firms want to produce in Ireland include access to freer trade with other European countries, higher labour productivity and government grants.

- Discuss whether or not MNCs always benefit their host countries. [8]

0455/23/M/J/20

Ireland has one of the lowest rates of corporation tax in Europe. This has encouraged many multinational companies (MNCs) to produce in Ireland. Other reasons why firms want to produce in Ireland include access to freer trade with other European countries, higher labour productivity and government grants.

- State two benefits of free trade. [2]

0455/22/F/M/23

Vietnam has a high number of female entrepreneurs. Some of their firms have grown and now compete with foreign multinational companies (MNC) 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.

- Explain two benefits that an MNC can bring to its host country. [4]

0455/21/M/J/22

Australia's foreign exchange rate fluctuates. The value of Australia's exports is regularly greater than the value of its imports. Australia is Papua New Guinea's main trading partner. In 2019, the government of Papua New Guinea increased income tax to reduce its inflation rate. It used other policy measures to increase its economic growth rate.

- Explain two reasons why the value of a country's exports may be greater than the value of its imports. [4]

0455/22/F/M/22

South Africa (SA) experienced a recession in the second half of 2019 and an unemployment rate of 29%. Only a small proportion of this unemployment was frictional. South Africa's foreign exchange rate fell from 1 SA rand = US\$0.08 in 2018 to 1 SA rand = US\$0.06 in 2019.

South Africa had reduced import tariffs, but in 2019 some South African economists suggested tariffs should be used to protect its infant industries.

- Explain why an infant industry may need protection. [4]

0455/22/F/M/19

Ireland has attracted a significant number of foreign multinational companies (MNCs) to set up production in the country. These firms employ approximately 10% of the country's labour force and make a high proportion of Ireland's exports. The surplus on the current account of Ireland's balance of payments fell in 2016 while government spending rose.

- Identify two reasons why an MNC may decide to start producing in a foreign country. [2]
- Explain two reasons why someone may want to work for an MNC. [4]

0455/21/O/N/18

In 2016, there was a global surplus in the steel market pushing down steel prices. This situation led to various calls for protectionist measures by other steel producers such as those in the EU and the USA. However, such measures were not supported by car producers as approximately 22% of a car manufacturer's costs depend on steel prices.

- Define protectionism. [2]
- Explain two methods of trade protection. [4]

0455/23/M/J/18

In the 1990s Cambodia became a mixed economy. One of the results of this was specialisation in the clothing industry. In 2005, import quotas for clothing in the key markets of the USA and the EU were removed. Clothing now accounts for 80% of Cambodia's exports. The increased role of the private sector has resulted in a rise in malnutrition in Cambodia.

- Define import quota. [2]
- Analyse the impact on an economy of the removal of import quotas imposed by other countries. [6]

0455/22/M/J/18

World output has grown in recent years, but a number of countries have experienced a recession. The removal of trade restrictions such as import tariffs has slowed down, reducing the growth of world trade.

- Define import tariff. [2]

0455/22/F/M/18

The effects of a depreciation of a currency are influenced by the price elasticity of demand of exports and imports. Worldwide there has been a reduction in trade barriers including tariffs. There has also been an increase in the movement of goods and services between countries and, to a lesser extent, the movement of people. Some countries experience net emigration with more people leaving the country than entering it.

- Analyse how a reduction of its import tariffs could increase a country's output. [6]

6.3 FOREIGN EXCHANGE RATES

0455/22/M/J/23

In 2020, Australia had a high national minimum wage (NMW). The NMW is received by some people who work on Australian dairy farms. Australia produces milk and soft drinks. Milk is purchased by some people as an alternative to soft drinks. Some dairy farms and some small firms went out of business in 2020. The year saw an increase in the value of the country's floating foreign exchange rate.

- Explain two causes of an increase in the value of a country's floating foreign exchange rate. [4]

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Many people from the Philippines work in another country, often in industries that provide merit goods and public goods. In 2020, the Philippine government raised more tax revenue. Some was spent on policy measures to increase life expectancy and some on policy measures to reduce unemployment. The country's unemployment rate was also affected by a rise in the country's foreign exchange rate.

Discuss whether or not a rise in a country's foreign exchange rate would benefit its economy. [8]

0455/22/O/N/22

While 15% of US exports go to Mexico, 80% of Mexico's exports go to the US. In 2019, the US government imposed some methods of protection to reduce imports from Mexico. This US action caused a fall in Mexico's foreign exchange rate. Despite a rise in its inflation rate, Mexico's central bank reduced the rate of interest from 7.75% at the end of 2019 to 6.5% in March 2020.

- Analyse how a fall in a country's foreign exchange rate could increase its inflation rate. [6]

0455/21/O/N/22

Jordan has a fixed foreign exchange rate with the US dollar. The monetary policy of Jordan, therefore, follows the monetary policy of the US very closely. Due to low confidence in the global economy in 2019, central banks around the world, including Jordan and the US, cut interest rates to stimulate growth. However, this may have conflicted with the macroeconomic aim of low inflation.

- Discuss whether or not a country will benefit from having a fixed foreign exchange rate system. [8]

0455/22/M/J/21

The money supply in Bangladesh increased every year from 2010 to 2018. Changes in the money supply and the foreign exchange rate can affect a government's macroeconomic policy

aims, including full employment. There have been few mergers between commercial banks in Bangladesh, although its banks are larger than many of its other firms.

- Analyse how a fall in a country's foreign exchange rate could increase employment. [6]

0455/22/O/N/20

Wage rate growth has increased recently in Kazakhstan, but its economic growth rate has slowed. This is, in part, due to a fall in exports. To try to increase the economic growth rate, the government has increased its spending on investment. In August 2015, it adopted a floating foreign exchange rate system in an attempt to improve the country's macroeconomic performance.

- Discuss whether or not a country should switch from a fixed foreign exchange rate system to a floating foreign exchange rate system. [8]

0455/21/M/J/22

Australia's foreign exchange rate fluctuates. The value of Australia's exports is regularly greater than the value of its imports. Australia is Papua New Guinea's main trading partner. In 2019, the government of Papua New Guinea increased income tax to reduce its inflation rate. It used other policy measures to increase its economic growth rate.

- Define foreign exchange rate. [2]

0455/23/M/J/18

In 2016, there were fears that the Singaporean economy could enter a recession because of falling demand from China, its biggest export market. One of the results of a recession is likely to be a fall in consumer spending. A previous recession in 2008 had led to unemployment increasing from 1.6% to 3.4%. Singapore's central bank therefore decided to intervene in the foreign exchange market to influence the value of the currency.

- Discuss whether or not an exchange rate depreciation will prevent an economy from experiencing a recession. [8]

0455/21/M/J/18

In 2014, the government of Kazakhstan devalued its currency, the tenge. A year later the country still had a current account deficit. Therefore, in 2016 it considered adopting a floating exchange rate which might help to remove the deficit. However, it had concerns that this might affect the country's inflation rate which was already high at 17%.

- Define devaluation. [2]
- Explain two advantages of a floating exchange rate. [4]

0455/22/F/M/18

The effects of a depreciation of a currency are influenced by the price elasticity of demand of exports and imports. Worldwide there has been a reduction in trade barriers including tariffs. There has also been an increase in the movement of goods and services between countries and,

to a lesser extent, the movement of people. Some countries experience net emigration with more people leaving the country than entering it.

- Define depreciation of a currency. [2]
- Explain two reasons why demand for a country's exports may be price-inelastic. [4]

6.4 CURRENT ACCOUNT OF BALANCE OF PAYMENTS

0455/22/M/J/23

In 2019, China's economic growth rate was 6.1% and Chinese households increased their spending. More Chinese people attended sports events and the earnings of top sportspeople increased. China exported more despite a rise in tariffs on some of its products. For example, the US imposed higher tariffs on the imports of Chinese tea and coffee.

- Discuss whether or not a country with a high economic growth rate will have a deficit on the current account of its balance of payments. [8]

0455/22/F/M/23

Germany's death rate is higher than some other countries, including Sweden, Cuba and the Maldives. Germany's labour force increased in size between 2011 and 2021 and has become even more productive. The country has also experienced low inflation and a growing surplus on the current account of its balance of payments.

- Analyse how an increase in labour productivity in a country can increase a surplus on the current account of its balance of payments. [6]

0455/22/F/M/23

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 experience advances in technology, a change in the current account balance on its balance of payments and a significant increase in the size of population.

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

0455/23/O/N/22

Palau is a small island country in the Pacific Ocean. It has received considerable financial support from the US. Living standards are thought to be lower in Palau than in the US. Palau imposes some of the highest tariffs in the world. These trade tariffs affect Palau's current account of its balance of payments. In 2019, commercial bank lending to firms and households in Palau increased.

- Identify two components of the current account of the balance of payments. [2]

0455/22/F/M/22

South Africa (SA) experienced a recession in the second half of 2019 and an unemployment rate of 29%. Only a small proportion of this unemployment was frictional. South Africa's foreign exchange rate fell from 1 SA rand = US\$0.08 in 2018 to 1 SA rand = US\$0.06 in 2019. South Africa had reduced import tariffs, but in 2019 some South African economists suggested tariffs should be used to protect its infant industries.

- Analyse how a fall in a country's foreign exchange rate could reduce a deficit on the current account of its balance of payments. [6]

0455/21/M/J/21

The Canadian government has introduced a number of policy measures designed to encourage more women to enter the labour force. Canada's labour force has reduced as its population has aged. The number of workers and their output are influenced by changes in the country's foreign exchange rate and consumer expenditure. In 2018, the Canadian dollar fell in value while Canadian consumer expenditure increased.

- Analyse how a fall in the value of a country's foreign exchange rate could reduce a deficit on the current account of its balance of payments. [6]

0455/22/F/M/21

It is estimated that half of Egyptian men smoke. This is one of the highest rates in the world. In recent years the Egyptian government has increased the tax on cigarettes. The government and central bank have also tried to reduce inflation and improve Egypt's international trade performance. The Egyptian government could use subsidies to reduce its deficit on the current account of its balance of payments.

- Discuss whether or not an increase in government subsidies will reduce a deficit on the current account of the balance of payments. [8]

0455/23/O/N/20

The use of supply-side policy measures, including deregulation, is moving China closer to a market economic system. Some supply-side policy measures, such as education and subsidies, can also increase a country's economic growth rate. China joined the World Trade Organisation in 2001 and has since removed some quotas on imports and reduced some import tariffs. These measures may influence the size of its current account surplus.

- Discuss whether or not a reduction in a country's trade protection will reduce its current account surplus. [8]

0455/22/O/N/20

Mexico has a history of trade deficits. The government is moving the economy closer to free trade, to try to improve its macroeconomic performance. It was predicted in 2017 that Mexico's economy would experience a small rise in its unemployment rate. In 2017 the economy's inflation rate was 6.6%, the highest rate since 2001. A number of policy measures may be used to reduce inflation, including increasing the rate of income tax.

- Define trade in goods balance. [2]

0455/21/O/N/20

The election of a new president in South Africa in 2018 led to improvement in business and consumer confidence. Inflation rates fell despite a rise in total demand. One government policy measure established areas known as economic zones where firms pay lower, or no, taxes. These zones encourage domestic firms to become internationally competitive which could reduce the deficit on the current account of South Africa's balance of payment.

- State two components of the current account. [2]

- Analyse how a country's current account deficit might be reduced if its firms become internationally competitive. [6]

0455/21/M/J/20

Economists are uncertain about the future United States (US) macroeconomic performance. For instance, in recent years, US unemployment has fallen while the deficit on the current account of the balance of payments has fluctuated. Whether its current account deficit will rise or fall in the future may be affected by proposed tax cuts. Some economists suggest that the US government should not be concerned about the country's current account deficit.

- Discuss whether or not a current account deficit on its balance of payments harms an economy. [8]

0455/22/F/M/19

Ireland has attracted a significant number of foreign multinational companies (MNCs) to set up production in the country. These firms employ approximately 10% of the country's labour force and make a high proportion of Ireland's exports. The surplus on the current account of Ireland's balance of payments fell in 2016 while government spending rose.

- Analyse how an increase in exports could improve a country's economic performance. [6]
- Discuss whether or not an increase in government spending will reduce a surplus on the current account of that country's balance of payments. [8]

0455/22/M/J/18

Farms in the USA are getting larger. One dairy farm in the state of Indiana has over 38000 cows. Farms in the USA compete with farms in both developed and developing countries. The value of the farms' exports of milk appears in the trade in goods section of the current account of the USA's balance of payments.

- Explain how a country could have a trade in goods surplus, but a deficit on the current account on the balance of payments. [4]

0455/21/M/J/18

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- Discuss whether or not a reduction in a current account deficit on the balance of payments will benefit an economy. [8]

0455/21/M/J/18

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exchange rate which might help to remove the deficit. However, it had concerns that this might affect the country's inflation rate which was already high at 17%.

- Discuss whether or not a reduction in a current account deficit on the balance of payments will benefit an economy. [8]