



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**ECONOMICS**

**0455/02**

Paper 2 Structured Questions

**May/June 2009**

**2 hours**

Additional Materials: Answer Booklet/Paper

**READ THESE INSTRUCTIONS FIRST**

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

**Section A**

Answer Question 1.

**Section B**

Answer any **three** questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages.



**Section A**

Answer this question.

**1 Economic Growth in Uganda**

In 2007 there were 27.7 million people in Uganda. It was reported that by 2025 the population was expected to almost double, making Uganda the country with the fastest increase in population in the world. There was concern that with limited employment, health care and education in Uganda, such an increase in population would result in increased poverty. However, the President of Uganda said that the country was under-populated and that the population increase would result in a bigger internal market and a larger workforce which would improve economic prospects and economic growth.

- (a) Explain what is meant by economic growth. [4]
- (b) Discuss why many countries aim to increase economic growth. [4]
- (c) Identify **two** macro-economic aims, apart from economic growth, that a government may have, and explain why a government might think these aims are important. [6]
- (d) Discuss whether you agree with the President of Uganda that an increase in population causes an increase in the workforce which would improve economic growth. [6]

**Section B**

Answer any **three** questions from this section.

- 2 A company produces cigarettes which it believes have a low price elasticity of demand.
- (a) Explain what is meant by price elasticity of demand. [4]
- (b) How might knowledge of price elasticity be of use to a producer? [6]
- (c) Some countries have now prohibited smoking in public areas in buildings. Use the concepts of private and social costs and benefits to explain this policy. [6]
- (d) Discuss what effect the policy of prohibiting smoking in public areas might have on the manufacturers of cigarettes. [4]
- 3 In 2007, it was reported that a trade union of post office workers feared that increased capital investment would mean more automation and job losses. The union demanded that managers allow higher wages and shorter working hours for its members.
- (a) Explain what is meant by the factors of production and identify which factors are involved in the above statement. [4]
- (b) Describe the functions of a trade union. [6]
- (c) What is meant when an industry is said to become more capital-intensive rather than labour-intensive? [3]
- (d) Discuss whether increased automation is likely to make it easy for the union to achieve both of its demands in the statement above. [7]
- 4 In the same industry there are often firms of different sizes. Sometimes a firm integrates with another firm.
- (a) What is the difference between horizontal and vertical integration? [4]
- (b) Contrast the characteristics of **two** types of business organisation. [6]
- (c) Discuss whether the growth of a firm is advantageous for both the firm and consumers. [10]

- 5 Many governments have increased their spending on police and armed forces but there is an opportunity cost of this policy.
- (a) Explain the term opportunity cost and discuss why an increase in spending on police and armed forces may result in an opportunity cost. [4]
  - (b) Discuss whether such government spending could be a result of market failure. [6]
  - (c) Sometimes governments do not provide goods and services but they still influence the activities of private firms. Analyse how they might do this. [10]
- 6
- (a) What is meant by inflation? [4]
  - (b) Explain how a government might calculate the rate of inflation in its economy. [6]
  - (c) How might inflation affect a person's spending, saving and borrowing? [10]
- 7 Countries sometimes establish agreements with each other to encourage free trade by abolishing tariffs or quotas on trade between them.
- (a) Distinguish between a tariff and a quota. [4]
  - (b) Analyse the possible link between the level of tariffs and international specialisation. [4]
  - (c) Analyse the advantages of trading without tariffs and quotas. [6]
  - (d) There is sometimes opposition to the removal of a tariff. Analyse how this might be justified. [6]

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*Copyright Acknowledgements:*

Question 1

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