

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**ECONOMICS**

**2281/02**

Paper 2 Structured Questions

October/November 2005

Additional Materials: Answer Booklet/Paper

**2 hours**

**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 on both sides of the paper.  
You may use a soft pencil for any diagrams, graphs or rough working.  
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer Question 1 (Section A) and any **three** questions from Section B.  
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

**Lesotho National Development Corporation**

Since its establishment the Lesotho National Development Corporation (LNDC) has been the Lesotho Government's main means of promoting industrial development. The LNDC is now expanding its job creation programme by promoting exports and encouraging firms to grow in size. It also encourages and supports local entrepreneurs. Two of the projects it has supported are local chicken farms and the building of a private hospital. The slogan of the LNDC is 'We build industry'.

- (a) Describe the main role of an entrepreneur. [2]
- (b) Identify from the passage **one** project in the primary sector and **one** project in the secondary sector. [2]
- (c) Explain what is meant by industrial development. [4]
- (d) Explain the policies that a government might use to encourage private businesses. [6]
- (e) Why might a government wish to create jobs? [6]

## Section B

Answer any **three** questions.

- 2 In the UK four large supermarket companies dominate the sale of food but there are also many small food shops.
- (a) Define a fixed cost and a variable cost, and identify one fixed cost and one variable cost that the supermarket might have. [4]
  - (b) Discuss why a small food shop might survive when there are very large supermarkets. [6]
  - (c) How do some firms become large? [4]
  - (d) Discuss how a supermarket might benefit from economies of scale. [6]
- 3
- (a) Using examples, contrast a direct tax with an indirect tax. [4]
  - (b) Discuss how a government might use taxation to affect the distribution of income. [6]
  - (c) Explain the concept of price elasticity of demand. Choose **two** goods and explain why they might have different price elasticities of demand. [6]
  - (d) Use the concept of elasticity to discuss how indirect taxes may be used by a government to
    - (i) increase its revenue,
    - (ii) decrease imports. [4]
- 4 The rate of inflation in some developed countries has remained low for several years.
- (a) What is meant by inflation? [3]
  - (b) Explain how a retail price index (index of consumer prices) is calculated. [7]
  - (c) Explain **two** possible causes of inflation. [4]
  - (d) An aim of government policy is usually not to let the rate of inflation become high. Why is this? [6]
- 5
- (a) Explain why specialisation in international trade might benefit a country. [6]
  - (b) Some countries use protective measures in international trade. Describe **two** types of protection a government can use in international trade. [4]
  - (c) Explain with the use of **one** example what is meant by a natural resource of a country. [3]
  - (d) For many countries international trade involves using their natural resources by selling them to other countries. Discuss whether it is wise for a country to exploit its natural resources rather than to conserve them. [7]

- 6 (a) What determines the rate of growth of a population? [3]
- (b) Contrast the expected age structure of the population of a developing country with that of a developed country. [7]
- (c) In some developing countries life expectancy has been declining in recent years. This has been largely due to the spread of HIV/AIDS. Governments have allocated large amounts of expenditure to developing new hospitals and to providing health education programmes.
- Discuss in what ways this policy might affect other major government economic policies. [10]
- 7 Employers are concerned to make the best use of the factors of production. Workers are concerned to make the best choice in selecting an occupation.
- (a) Explain **three** things, other than wages, that might influence a person in their choice of occupation. [6]
- (b) Discuss which factor of production might be most significant in the operation of a luxury hotel. [4]
- (c) A hotel will offer a variety of job opportunities. Workers in some of them will be paid more than workers in others. Discuss why this might be so. [10]

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