

# The City School

Unified Mid-Year Examinations

2018 - 2019

Class 11



SCHOOL NAME

INDEX NUMBER

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DATE

**ECONOMICS**

Paper 2 Structured Questions

**2281/22**

**2 hours 15 minutes**

Additional Materials: Answer Sheets.

**READ THESE INSTRUCTIONS FIRST**

Write your School name, Index number and Date in the spaces provided.

Write in dark blue or black pen.

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

Do not use paper clips, 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.

Invigilated By: \_\_\_\_\_

Checked By: \_\_\_\_\_

Marks Talled By: \_\_\_\_\_

This document consists of 5 printed pages and 3 blank pages.

## Section A

Answer this question

### 1 Economic problems in Bulgaria

Bulgaria is the poorest of the 27 countries (as of May 2013) in the European Union (EU). It joined the EU in January 2007. Average wages are only US\$4.50 an hour and average monthly salaries are only US\$465. The rate of unemployment in Bulgaria in 2012 was estimated at 12%, compared to an EU average of 9.4%. This level of unemployment, however, was much less than that in some EU countries, such as Greece, where the rate of unemployment was twice as high.

The population of Bulgaria is 7.5 million and yet over a million Bulgarians have left the country in recent years to work abroad, especially in Spain and Greece. The value of the money they have sent back home, known as migrant remittances, has risen from US\$900 million in 2008 to US\$990 million in 2012. Much of the work that these people do in Spain and Greece is seasonal and so there have been particular problems of seasonal unemployment, with some of the migrants losing their jobs and having to return home.

Within Bulgaria, a lot of workers have lost their jobs in the construction industry. It had been planned that a large number of hotels and holiday flats would be built along Bulgaria's Black Sea coast. Since 2008, there has been a dramatic fall in the demand for these properties and many construction firms have gone out of business, having failed to obtain sufficient funds from financial institutions.

The Gross Domestic Product (GDP) of Bulgaria has only been growing by 1.7% per year in recent years. In 2012 the GDP was US\$48.0 billion. One of the problems in measuring GDP in Bulgaria is that it has been estimated that as much as 30% of the economy goes unrecorded. There is a great deal of activity in what has been termed the hidden or informal economy. Not all income earned is declared for tax purposes, there is some smuggling (illegal importing) and much of agricultural output is subsistence farming.

It is noticeable that the death rate in Bulgaria is considerably higher than the birth rate (see Table 2 for details). A survey of Bulgarians found that about 70% of them expected the economic situation in the country to worsen in the next 12 months, not something that would be likely to bring about an increase in the birth rate. This has meant that Bulgaria now has the second most rapidly declining population in the world, as shown in Table 1.

**Table 1: The world's most rapidly declining populations, 2005–2010**

Country	Average annual % change in population
Moldova	-1.06
Bulgaria	-0.64
Ukraine	-0.64
Georgia	-0.57
Lithuania	-0.55

It is also noticeable that in many indicators Bulgaria is worse off than the European Union average, as shown in Table 2.

**Table 2: A comparison of Bulgaria and the EU average in 2012**

Indicators of comparative living standards	Bulgaria	EU average
Human Development Index	0.743	0.867
Birth rate	9.9	10.1
Death rate	14.6	9.9
Health spending (% of GDP)	7.4	10.7
Education spending (% of GDP)	3.5	4.9
GDP per capita (US\$)	6420	38 080

- (a) Explain what is the difference between the rate of unemployment and the level of unemployment. [2]
- (b) Analyse **three** ways a government could reduce the rate of unemployment in a country. [6]
- (c) Using information from the extract, calculate the percentage increase in migrant remittances sent home by Bulgarians between 2008 and 2012. [2]
- (d) Using information from the extract, calculate what would have been the estimated size of the informal economy in Bulgaria in 2012 in US\$. [1]
- (e) Using information from the extract, explain why such a large percentage of the Bulgarian Gross Domestic Product goes unrecorded. [3]
- (f) Discuss whether the Human Development Index is a perfect measure to compare living standards in different countries. [6]
- (g) Define the terms 'birth rate' and 'death rate'. [4]
- (h) Discuss whether the Bulgarian Government should try to reverse the decline in the country's population size. [6]

## Section B

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

- 2** In 2014 Cuban doctors were given pay rises that significantly increased their salaries. This made doctors' pay more than twice that received by nurses. Cuba is devoting more resources to both medical care and tourism, altering the country's production possibility curve. Living standards are increasing in the country but at a slower rate than some other nearby countries.
- (a) What is meant by a production possibility curve? [2]
- (b) Explain, giving examples, two factors of production used in the tourism industry. [4]
- (c) Analyse why doctors are paid more than nurses. [6]
- (d) Discuss whether living standards are always lower in developing countries than in developed countries. [8]
- 3** The price of shares in a large UK supermarket firm fell on the London Stock Exchange in 2014 when it was announced that it was expecting a reduction in its profits. The increased competition from German supermarket firms had forced the UK supermarket to consider a number of ways of cutting its costs by, for example, reducing some of its workers' wage rates and increasing some workers' working hours.
- (a) Define a 'stock exchange'. [2]
- (b) Explain why some firms may have survival as a short-term goal. [4]
- (c) Analyse how consumers may suffer as a result of a fall in the profits firms earn. [6]
- (d) Discuss whether a decrease in wage rates and an increase in working hours will always reduce the supply of workers to a firm. [8]
- 4** Between 2014 and 2015, Sao Paulo, a large city in Brazil, opened more than 120km of cycle-only lanes alongside roads. The city has a car culture, with demand for car travel being price-inelastic. In contrast, in Copenhagen, the capital of Denmark, 36% of commuter journeys are now by bicycle, which has reduced the demand for car travel in the city.
- (a) Define 'price-elastic demand'. [2]
- (b) Explain two causes of a shift of a demand curve to the left. [4]
- (c) Analyse how a government could promote the purchase of bicycles. [6]
- (d) Discuss whether governments should discourage car use. [8]

- 5** In January and February 2014 there were calls for the UK Government to build more flood defences. Homes, factories and other resources were damaged and some destroyed by floods. It was argued that government intervention was needed in this case as there was evidence of market failure.
- (a) Define 'market failure'. [2]
- (b) Explain how government regulation may reduce market failure. [4]
- (c) Analyse the effect of a decrease in resources on government economic aims. [6]
- (d) Discuss whether the social benefits of building flood defences will exceed the social costs involved. [8]
- 6** In January 2013, the Portuguese Government increased tax rates. Three months later it cut its spending on health care and education. Between these two periods, unemployment in Portugal rose.
- (a) What is meant by 'tax'? [2]
- (b) Explain two reasons why an increase in unemployment may reduce tax revenue [4]
- (c) Analyse two reasons why unemployment may increase. [6]
- (d) Discuss whether a reduction in government spending on education will reduce living standards. [8]
- 7** In 2015, the UK economy experienced an increase in production and relatively low unemployment. There was, however, little growth in labour productivity and earnings. The government continued to spend more than it was receiving in tax revenue and considered changing some of its monetary policy measures.
- (a) Identify two causes of inflation. [2]
- (b) Explain two reasons why government spending may be greater than tax revenue. [4]
- (c) Analyse how an increase in labour productivity can increase living standards. [6]
- (d) Discuss whether monetary policy measures can increase economic growth. [8]