**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**
International General Certificate of Secondary Education

**ECONOMICS** **0455/02**

Paper 2  Structured Questions

October/November 2004

**1 hour 30 minutes**

Additional Materials:    Answer Booklet/Paper

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**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 **all** 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.

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UNIVERSITY *of* CAMBRIDGE
International Examinations

**[Turn over**

Answer **all** questions.

**1** **Decline in world supply of cotton**

The largest producers of cotton are China, the US, India and Pakistan. By 2001 there had been five years of declining international cotton prices, so in that year it was expected that cotton production would fall as farmers were discouraged from growing the crop by the low prices. This reduction in supply was then expected to cause prices to rise in the following year, 2002, when the cotton was put onto the market.

The fall in production was expected to occur in countries that were the most efficient, but there would be a fall in production in other countries also. Although India produces cotton, its average yield per hectare is half of the world average. This is because of low seed quality, insufficient pest control and poor irrigation due to irregular rainfall.

**(a)** Explain why low prices might discourage farmers from growing cotton. [3]

**(b)** Using a demand and supply diagram, explain the changes in price that were expected to occur between 2001 and 2002. [5]

**(c) (i)** Identify what measures India might take to increase its production of cotton. [3]

**(ii)** Explain how **two** of the measures chosen in **c(i)** might have effects on
– the fixed costs,
– the variable costs and
– the revenue of the producers. [6]

**(d)** How would the earnings from cotton be shown in India's balance of payments? [3]

**2** In 2002 in the UK and in Germany trade unions supported strikes in some public sector occupations.

**(a)** Explain what is meant by the public sector and give **one** example of a public sector occupation. [3]

**(b)** Describe the functions of trade unions and explain which function you consider to be the most important. [7]

**3** It was reported in 2002 that people in Germany were expecting tax rises and an increase in unemployment.

**(a)** Distinguish between a direct tax and an indirect tax. Give an example of each. [4]

**(b)** Identify **three** types of unemployment and explain how they are caused. [6]

**4** Changes in the population structure of many countries have led governments to introduce a health education programme.

    **(a)** Identify and explain **two** of the issues that a health education programme might cover in developing countries. [4]

    **(b)** How may the age structure of the population in a developing country differ from that in a developed country? [6]

**5** As Eastern European economies continue to grow, companies are recording an increase in profits. Public and private sector investment are expected to rise as trade barriers are reduced.

    **(a)** What is meant by economic growth? [3]

    **(b)** Discuss whether economic growth is always advantageous. [7]

**4**

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