UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS **0455/31**

Paper 3 Analysis and Critical Evaluation **October/November 2013**

1 hour 30 minutes

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READ THESE INSTRUCTIONS FIRST

This Insert contains extracts for Questions 1 and 2.

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UNIVERSITY *of* CAMBRIDGE
International Examinations

Extract for Question 1

Rising food prices

In 2010, global food prices rose on average by more than 30%. They were driven up by increasing demand, bad weather conditions and higher production costs including higher oil and fertiliser costs. Some food prices increased by more than the average. For instance, maize rose by 80% and wheat by 55%.

The extent and direction of price changes also differed from country to country. The price of rice increased by 25% in Uganda but fell by 16% in Brazil. Although globalisation is increasing the similarity of markets throughout the world, market conditions can still vary between countries. In addition, whilst some governments tax food, others do not.

The global change in the equilibrium price of food had a number of consequences. The rise in the price of basic food items caused riots in Algeria and contributed to famine in East Africa. A number of countries, including Argentina and Pakistan, banned the export of certain food.

Higher food prices particularly harm the poor. As people's incomes rise, they buy more and better quality food. However, their expenditure on food as a percentage of their total household spending declines.

The rise in food prices contributed to a higher inflation rate in many countries. For instance, it pushed up Uganda's inflation rate to 11.1% in 2010. Changes in food prices make a significant contribution to Uganda's inflation rate. This is because the average Ugandan family spends US$324 on food out of a total household expenditure per year of US$1200.

Extract for Question 2

Youth unemployment

A number of countries throughout the world were experiencing an increase in youth unemployment in 2010. Table 1 shows the percentage of people aged 15 to 24 who were unemployed in that year.

Table 1: Youth unemployment in selected countries in 2010

Country	Youth unemployment (%)	Population aged 15–24 (thousands)
Egypt	25	17 030
Germany	8	9 172
Saudi Arabia	28	4 949
Spain	43	4 710
United Kingdom	20	8 147
United States of America	18	44 810

Some of the young unemployed are 'NEETs', that is people who are **N**ot in **E**mployment, **E**ducation or **T**raining. Youth unemployment causes a number of problems. Studies have indicated that lifetime wages earned by those who experience youth unemployment are 18% lower than those who do not. The young unemployed miss out on training and do not gain as much work experience as those who have jobs when young.

Youth unemployment is a waste of valuable resources and has an adverse effect on economic growth. For instance, rising youth unemployment contributed to the change in Saudi Arabia's economic growth from 4.2% in 2008 to 0.6% in 2009. Economic growth can bring significant benefits including higher living standards. Governments sometimes use fiscal policy or monetary policy in an attempt to reduce unemployment and generate economic growth but there is a risk that such approaches may cause inflation.

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