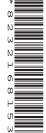


UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		



ECONOMICS 0455/32

Paper 3 Analysis and Critical Evaluation

May/June 2012 1 hour 30 minutes

Candidates answer on the Question Paper.

READ THESE INSTRUCTIONS FIRST

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.

DO NOT WRITE IN ANY BARCODES.

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.

For Exam	iner's Use
1	
2	
Total	

This document consists of 8 printed pages and 1 Insert.

UNIVERSITY of **CAMBRIDGE**

International Examinations

The extract 'A tax on high fat foods' will be needed for this question.

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(a)	What is meant by external costs?
(b)	What evidence is there in the extract of the economic problem?
` ,	· · · · · · · · · · · · · · · · · · ·
(c)	Why may obesity lead to an increase in government spending?

(i)	Does the extract suggest that the poor spend more on food than the rich? Explain your answer.	E
	[3]	
(ii)	Does the extract suggest that the demand for cigarettes is price elastic or price inelastic? Explain your answer.	
	[0]	

Discuss whether the				
	•••••	•••••	• • • • • • • • • • • • • • • • • • • •	
		•••••		

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			[8]	
			[Total: 20]	
Th	e extr	act ' C	Challenges facing the BRICs' will be needed for this question.	
2	(a)	Usir	ng information from the extract, state what happened to the price level in 2009 in:	
		(i)	India	
		(ii)	[1] China.	
			[1]	
	(b)		y may a country experience a shortage of workers at the same time as it is ountering a relatively high unemployment rate?	
			[2]	

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(c)	Explain how raising the rate of interest can reduce aggregate (total) demand.
	[4]

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Using Figure 1, describe the trends in the current accounts of the balance of payments as percentages of GDP in the four countries shown.	Exam Us
[4]	
Explain an example of a conflict between government economic aims mentioned in the	
extract.	
[2]	

Question 2(f) is on the next page

Discuss whether an economy will always benefit from a reduction in unemployment.	
[6]	į

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