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**ECONOMICS**

**0455/32**

Paper 3 Analysis and Critical Evaluation

**May/June 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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This document consists of **3** printed pages and **1** blank page.



**Extract for Question 1****Should plastic bags be banned?**

Plastic bags are made from polyethylene which, in turn, is made from oil. These bags can take many hundreds of years to disintegrate and are thought to cause a number of external costs.

In 2011, approximately 800 billion plastic bags were given out or sold to shoppers throughout the world. Most plastic bags are thrown away once they have been used to bring the shopping home. Those collected from the streets and from household rubbish collection end up in landfill sites but some are dumped at sea where they cause considerable environmental damage.

Increasingly governments are taking measures to reduce or stop the use of plastic bags. For instance, Ireland places a tax on plastic bags and this has considerably reduced their use. China bans retailers giving out free plastic bags which, it has been estimated, saves the country 37 million barrels of oil a year.

A number of other countries and cities go further. In 2002, Bangladesh became the first country to impose a nationwide ban on the use of plastic bags. This action was taken after plastic bags dumped in the streets of the capital, Dhaka, had blocked drains and sewers causing flooding and diseases. Four years later, the African country Rwanda introduced a ban. This has improved the appearance and cleanliness of the streets, which were previously littered with plastic bags, and has been credited with increasing the number of tourists visiting the country.

In 2007, San Francisco became the first city in the United States of America (USA) to ban plastic bags. More cities in the USA are now following San Francisco's example. In 2011, however, people in the USA consumed 100 billion plastic bags.

A number of Indian cities ban plastic bags. In April 2011, Delhi imposed a ban on the manufacture and sale of plastic bags, backed up with the possibility of a five year prison sentence. The measure, however, was not welcomed by everyone. Owners of approximately 400 firms which produced plastic bags claimed it would cause more than 20 000 people to lose their jobs.

## Extract for Question 2

### Will India overtake China?

India has experienced an annual economic growth rate of more than 8% since 2003. In 2011, it was the world's tenth largest economy with a Gross Domestic Product (GDP) twice that of the whole of Africa. It is forecast that India will be the third largest economy by 2030 and by 2050 it may even overtake China.

One advantage that India has is that its labour force is growing more rapidly than China's. Whilst China has an ageing population, with an increasing dependency ratio, India has a young population with one of the world's lowest dependency ratios. By 2020, three out of every ten workers in the world may be Indian. This figure may be even higher if economists have underestimated the increase in the proportion of women in India who will seek work.

India's economic performance, however, is not as good as some other leading economies in a number of areas. Investment is generally increasing (see Table 1) but there is a need to increase it further.

**Table 1: Investment growth and unemployment rate in India, 2006–2010**

Year	Investment growth (%)	Unemployment rate (%)
2006	16.3	7.8
2007	15.3	7.2
2008	17.2	6.8
2009	–3.1	10.7
2010	13.8	10.8

To promote economic growth, the Indian Government is increasing its spending on education and putting pressure on the country's commercial banks to increase their banking services. The number of Indian university graduates is increasing and the government's policy of ensuring that more children attend school should increase that number in the future. If commercial banks can encourage the high proportion of households which do not have a bank account to put their savings in banks, they will attract more funds. These can then be used to lend to firms to undertake investment.

Some economists suggest that the forecast change in India's GDP will itself encourage commercial banks to increase their services and will raise the amount saved and invested in the country. Others claim that the effects may be uncertain and government support will be needed.

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