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MAY/JUNE 2009

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

ECONOMICS

Paper 02 – General Proficiency

2 hours

03 JUNE 2009 (a.m.)

INSTRUCTIONS TO CANDIDATES

1. **Answer ALL FOUR questions in Section I and TWO questions in Section II.**
2. **Number each answer in your booklet correctly.**
3. **Begin each answer on a new page.**
4. **Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**

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SECTION I

Answer ALL FOUR questions in Section I. Each question is worth 15 marks.

1. (a) Define the term 'opportunity cost'. **(2 marks)**

(b) List THREE factors that firms must consider in determining what to produce. **(3 marks)**

(c) Outline TWO factors that might affect the distribution of goods in your territory. **(4 marks)**

(d) The government in your country has placed a price control on rice and set the price ceiling below the equilibrium price. With the aid of a diagram, discuss TWO effects of this action. **(6 marks)**

Total 15 marks

2. (a) List THREE factors of production. **(3 marks)**

(b) Give TWO examples of ONE of the factors listed in (a) above. **(2 marks)**

(c) Explain how the 'market' and the 'government' differ in their allocation of resources in your country. **(4 marks)**

(d) Outline THREE merits of the market system in allocating resources in Caribbean economies. **(6 marks)**

Total 15 marks

3. (a) List TWO functions of money. **(2 marks)**

(b) Identify THREE roles of the financial sector in an economy. **(3 marks)**

(c) Explain how the Central Bank can restrict the money supply in a **named** Caribbean country. Include TWO ways in your response. **(4 marks)**

(d) Outline THREE functions of a Central Bank **other** than restricting the money supply. **(6 marks)**

Total 15 marks

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4. (a) Define the role of the World Trade Organization (WTO). **(2 marks)**

(b) List THREE factors that influence the export of goods and services. **(3 marks)**

(c) Outline TWO factors that might cause a country to devalue its currency. **(4 marks)**

(d) Discuss TWO consequences of a balance of payments deficit in your territory. **(6 marks)**

Total 15 marks

SECTION II

Answer any TWO of the following questions in Section II. Each question is worth 20 marks.

5. (a) List the THREE methods of measuring national income. **(3 marks)**

(b) Outline TWO factors that influence savings. **(4 marks)**

(c) A labour union successfully negotiated higher wages and this resulted in unemployment in the economy. Using a supply and demand diagram, explain why unemployment resulted from this situation. **(5 marks)**

(d) (i) Distinguish between 'economic growth' and 'economic development'. **(4 marks)**

(ii) Outline TWO factors that influence economic growth in a **named** Caribbean territory. **(4 marks)**

Total 20 marks

6. (a) List THREE characteristics of Caribbean economies. **(3 marks)**

(b) "Trade liberalization, brought about by globalization, is creating significant opportunities for Caribbean economies, but at the same time, there are appreciable challenges to overcome."

(i) Define EACH of the following terms:

a) Trade liberalization **(2 marks)**

b) Globalization **(2 marks)**

(ii) Outline THREE benefits of trade liberalization to Caribbean economies. **(5 marks)**

(iii) Identify TWO challenges referred to in the statement at (b) above. **(2 marks)**

(iv) For EACH of the challenges you identified in (b) (iii) above, outline ONE measure that Caribbean governments can adopt to overcome it. **(6 marks)**

Total 20 marks

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7. (a) Define the term 'market failure'. **(2 marks)**

(b) Outline THREE causes of market failure. **(5 marks)**

(c) Describe TWO consequences of market failure in the transportation sector in a **named** Caribbean territory. **(5 marks)**

(d) (i) Outline TWO factors that might affect the price elasticity of supply of sugar. **(4 marks)**

(ii) With the aid of a diagram, state TWO effects of a shift to the right in the original demand curve, with the supply curve remaining the same. **(4 marks)**

Total 20 marks

8. (a) Define the term 'economies of scale'. **(2 marks)**

(b) With the aid of a diagram, explain the relationship between the marginal and average cost curves. **(5 marks)**

(c) (i) Outline TWO factors that might cause inflation in the Caribbean. **(4 marks)**

(ii) Identify ONE consequence of inflation in the Caribbean. **(1 mark)**

(d) Discuss TWO measures that can be adopted to reduce inflation in your country. **(8 marks)**

Total 20 marks

END OF TEST