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Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2025**

2 hours 15 minutes

4188458545

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **four** questions in total:
  - Section A: answer Question 1.
  - Section B: answer **three** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [ ].

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Section A

Read the source material carefully before answering Question 1.

Source material: Labour shortages in Japan

Japan fact file	2022
Population	125m
Total labour force including foreign workers	70m
Foreign workers	1.75m
Inflation rate	2.5%
% of income saved	29%

Japan has a high average age of population and a varied economic performance. It has a low birth rate, low inflation rate, good healthcare, high life expectancy and low unemployment rate. Fewer Japanese people enter the labour force each year. It is predicted that Japan's labour force will fall by 10 million by 2040. Many young Japanese people emigrate to Australia, Canada and the US in search of higher wages. However, Japan now experiences net immigration although foreign workers are currently only a small proportion of Japan's labour force.

To achieve an annual economic growth rate of 1.2%, it has been estimated that the number of foreign workers would have to increase to 7 million by 2040. Some foreign workers are discouraged from working in Japan due to the requirement to pass a Japanese language test. Only the most skilled are allowed to stay for more than 5 years and to bring their families with them.

Many Japanese industries are affected by labour shortages and the country's decline in population. For example, the fall in population has affected the quantity of furniture traded. It has also influenced the country's air transport industry. Air travel is the most important method of transport in Japan for foreign travel and long-distance internal travel. Japan's air passenger numbers follow a similar pattern to global air passenger numbers. Table 1.1 shows global GDP per head and global air passenger numbers between 2016 and 2022.

Table 1.1 Global GDP per head and global air passenger numbers 2016 – 2022

Year	Global GDP per head ($)	Global air passenger numbers (billions)
2016	10 217	3.8
2017	10 745	4.1
2018	11 289	4.4
2019	11 356	4.5
2020	10 884	3.3
2021	12 350	2.2
2022	13 200	3.7

Demand for goods and services, including air travel, is influenced by how much people save. Japanese people save a relatively high proportion of their income. This has affected the country's inflation rate, current account balance of the balance of payments and its economic growth rate.

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Japan's macroeconomic performance is also influenced by the mobility of its labour force. There are several reasons why the mobility of Japan's labour force may change in the future. These include its ageing labour force and possible changes in education and training, house prices and the quality and price of transport.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate foreign workers as a percentage of Japan's labour force in 2022. [1]

(b) Identify **two** reasons why Japan has a high average age of population. [2]

(c) Explain why some young Japanese people emigrate. [2]

(d) Explain **two** ways Japan could attract more foreign workers. [4]

(e) Draw a demand and supply diagram to show the effect of a decrease in population on the market for furniture. [4]

(f) Analyse the relationship between global GDP per head and global air passenger numbers. [5]

(g) Discuss whether or not a high savings rate is likely to benefit Japan. [6]

(h) Discuss whether or not labour mobility in Japan is likely to increase in the future. [6]

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Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.

2 Some markets in Belgium are in equilibrium. The country produces a wide range of goods and services with different degrees of price elasticity of demand. The Belgian Government wants the economy to move to a production possibility point beyond its current production possibility curve (PPC). Belgium's scientific industry is one industry which is doing well. Workers in this industry are highly specialised.

(a) Define *market equilibrium*. [2]

(b) Explain **two** ways an economy could reach a point outside its current PPC. [4]

(c) Analyse how price elasticity of demand can influence a firm's pricing decisions. [6]

(d) Discuss whether or not firms benefit from their workers undertaking training. [8]

3 In April 2023, a French cosmetics firm merged with an Australian cosmetics firm. It is expected the merger will lower average total cost as the new firm is likely to benefit from greater internal economies of scale. A manager stated that a key aim is to make the firm's production more sustainable by using raw materials taken from renewable sources. In most countries, the cosmetics firm's products, including perfume, are taxed at a higher rate than food.

(a) Define *average total cost*. [2]

(b) Explain how using renewable raw materials may affect a firm's profits. [4]

(c) Analyse the internal economies of scale that a cosmetics firm could experience. [6]

(d) Discuss whether or not perfume should be taxed at a higher rate than food. [8]

4 There are several policy measures a central bank or government can use to reduce unemployment. One policy measure a government could use to reduce unemployment is to increase its spending on building houses. The Federal Reserve, the central bank of the US, has two main aims. One is to maintain price stability and the other is to achieve full employment. Some central banks also have economic growth as a target, but none have HDI value as a target.

(a) Identify **two** policy measures a central bank could use to maintain price stability. [2]

(b) Explain **two** benefits to an economy of full employment. [4]

(c) Analyse how an increase in government spending on building houses could reduce unemployment. [6]

(d) Discuss whether or not an increase in a country's economic growth rate will increase its HDI value. [8]

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5 Some countries engage in dumping by selling their products at less than cost price in Cambodia. The Cambodian Government wants the country to become a high-income economy by 2050. It uses fiscal, monetary and supply-side policies to increase its economic growth rate. Cambodia subsidises some infant industries. The country has one of the world's largest deficits on the current account of its balance of payments (as a percentage of GDP). Some economists suggest cutting taxes would reduce this deficit.

(a) Identify **two** motives for a firm dumping some of its products in a foreign market. [2]

(b) Explain **two** differences between monetary policy and supply-side policy. [4]

(c) Analyse how a government subsidy could help to protect an infant industry against foreign competition. [6]

(d) Discuss whether or not cuts in taxes will reduce a deficit on the current account of a country's balance of payments. [8]

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