

Mark Scheme November 2007

IGCSE

IGCSE Economics (4350)

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information please call our Customer Services on + 44 1204 770 696, or visit our website at www.edexcel-international.org .

November 2007

All the material in this publication is copyright

© Edexcel Ltd 2007

Contents

1.	Paper 1F Mark Scheme	4
2.	Paper 2H Mark Scheme	10
3.	Paper 3 Mark Scheme	16

Paper 1F Mark Scheme

Question Number	Answer	Mark
1(a)(i)	1 mark for equilibrium price, 1 mark for equilibrium quantity. Only 1 mark if not labelled.	(2)

Question Number	Answer	Mark
1(a)(ii)	1 mark for shift of D to left.	(1)

Question Number	Answer	Mark
1(a)(iii)	1 mark for new price, 1 mark for new quantity. Only 1 mark if not labelled.	(2)

Question Number	Answer	Mark
1(b)	Complements	(1)

Question Number	Answer	Mark
1(c)(i)	Accurate definition = 2 marks. Responsiveness of demand to a change in price. Accept formula for 2 marks. 1 mark for incomplete or partial definition.	(2)

Question Number	Answer	Mark
1(c)(ii)	Reason identified, 1 mark, development, 1 mark. E.g. Digital cameras are luxuries not necessities so as the price falls lots more will be bought.	(2)

Question Number		Indicative content
1(c)(iii)		
Level	Mark	Descriptor
Level 1	1-2	Reference to price changes and total revenue, 1 mark. Reference to elastic/inelastic for second mark. E.g price elasticity gives firms some knowledge of what happens to total revenue when they change price (1 mark). If elasticity is elastic then as price increases total revenue will fall (1 mark).
Level 2	3	Must have reference to both elastic and inelastic for 3 marks. E.g. price elasticity gives firms some knowledge of what happens to total revenue when they change price (1 mark). If elasticity is elastic then as price increases total revenue will fall (1 mark) and if inelastic as price increases total revenue will rise (1 mark).
Level 3	4	Must have some reference to another factors which might affect the decision making of firms for full marks e.g. price wars, penetration of new markets, future cost changes.

Question Number	Answer	Mark
1(d)(i)	Definition 1 mark, example 1 mark. E.g. each worker does a specific task, 1 mark, in a camera some workers put in lenses others pack the cameras etc. (1 mark). The example doesn't have to apply to camera factory. Accept specialisation for 1 mark.	(2)

Question Number	Answer	Mark
1(d)(ii)	Advantage 1 mark, disadvantage, 1 mark. E.g. Task becomes easier, monotony.	(2)

Question Number	Answer	Mark
1(d)(iii)	Advantage 1 mark, disadvantage, 1 mark. E.g. Increased productivity (faster) industrial unrest.	(2)

Question Number	Answer	Mark
2(a)(i)	Each change identified, 1 mark e.g. declined, 1 mark. Reference to data 1 mark e.g. 60% to less than 10%.	(2)

Question Number	Answer	Mark
2(a)(ii)	Each change identified, 1 mark e.g. increased, 1 mark. Reference to data 1 mark e.g. 40% to 88%.	(2)

Question Number	Answer	Mark
2(a)(iii)	Any relevant reason identified, 1 mark, development 1 mark. E.g. growth in car ownership - 1 store shopping.	(2)

Question Number		Indicative content
2(a)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Each effect identified, 1 mark. E.g. less choice of retailer, less convenient.
Level 2	3	Examples given of costs and benefits.
Level 3	4	Must have reference to benefits and costs to consumers for full marks. E.g. less choice of retailer (1 mark) and less convenient (1 mark) but the big four retailers may provide cheaper goods (1 mark) as they buy in bulk (1 mark).

Question Number	Answer	Mark
3(b)(i)	1 mark for stating economic growth will increase. 1 or 2 marks for reasons depending upon whether developed. e.g. Economic growth will increase as the country's natural resources have increased. This will lead to more earnings for the country and an increase in GDP.	(3)

Question Number	Answer	Mark
3(b)(ii)	Human capital	(1)

Question Number	Answer	Mark
3(b)(iii)	Disadvantage identified 1 mark, development, 1 mark e.g. air and river pollution may increase as the industries produce more waste products.	(2)

Question Number		Indicative content
3(b)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Each advantage or disadvantage identified 1 mark, development, 1 mark. E.g. economic growth may lead to increases in the standard of living (1 mark) but this can also lead to pollution (1 mark).
Level 2	3	Must have both advantages and disadvantages with some development.
Level 3	4	Must have some and reference to an actual economy. E.g. economic growth may lead to increases in the standard of living (1 mark) but this can also lead to pollution (1 mark) as experienced in the Maldives with the increase in tourism (1 mark) and its effects on the coral reefs. (1 mark)

Question Number	Answer	Mark
3(c)(i)	1 mark for description and 1 mark for reference to data e.g. Rate of interest fell (1 mark) between 1998 and 2003 from 7% to 4.5% (1 mark) OR Rate of interest fluctuated (1 mark) falling in most years except for 1999 - 2000 and it also rose 2003-2004 (1 mark).	(2)

Question Number	Answer	Mark
3(c)(ii)	Each effect identified, 1 mark, development up to 3 marks e.g. if the rate falls the cost of borrowing falls (1 mark) so demand may increase (1 mark). This may lead to firms increasing production (1 mark) and demanding more workers (1 mark) so the unemployment rate would fall (1 mark).	(4)

Question Number	Answer	Mark
4(a)(i)	Each reason identified 1 mark. E.g. lower costs of labour, lower costs of land.	(2)

Question Number	Answer	Mark
4(a)(ii)	Each way, 1 mark. E.g. financial incentives (1 mark for each identified).	(2)

Question Number	Answer	Mark
4(a)(iii)	Each measure identified, 1 mark. E.g. retraining. Also accept welfare benefits to unemployed, increase in number employed by the state.	(2)

Question Number		Indicative content
4(a)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Effects (up to 2) identified but no development and from either developing or developed country. E.g. developing country advantages: may lower unemployment, increase choice (2 marks).
Level 2	3-4	Effects which consider either or both developed and developing country and/or advantages and disadvantages with some development e.g. a developing country will benefit from increased employment (1 mark) but the firms may exploit the workers (1 mark) with low wages and poor working conditions(1 mark). Firms may provide more choice (1 mark) for consumers.
Level 3	5-6	Must include advantages and disadvantages to developing country and to developed country. E.g. a developing country will benefit from increased employment (1 mark) but the firm may exploit the workers (1 mark) with low wages and poor working conditions(1 mark). Firms from developed countries may benefit from reduced labour costs (1 mark) and increased profits (1 mark) but this might be at the expense of a rise in unemployment in the developed country.

Question Number	Answer	Mark
4(b)(i)	Example e.g. \$1 = €2 Definition: the value of one currency (1 mark) in terms of another (1 mark).	(3)

Question Number	Answer	Mark
4(b)(ii)	Shift of demand curve to right, 1 mark. Labelled Demand, 1 mark, new exchange rate 1 mark.	(3)

Question Number	Answer	Mark
4(b)(iii)	Factor identified, 1 mark, development, 1 mark e.g. when interest rates are increased (1 mark) investors/	

	savers from other countries will demand the currency (1 mark). Accept tourism as a factor.	(2)
--	--	-----

Paper 2F mark Scheme

Question Number	Answer	Mark
1(a)(i)	Complements	(1)

Question Number	Answer	Mark
1(a)(ii)	Label D and S, 1 mark, original equilibrium price and quantity, 1 mark.	(2)

Question Number	Answer	Mark
1(a)(iii)	1 mark for shift of D to left, new equilibrium price and quantity, 1 mark.	(2)

Question Number	Answer	Mark
1(b)(i)	Accurate definition = 2 marks. Responsiveness of demand to a change in price. Accept formula for 2 marks. 1 mark for incomplete or partial definition.	(2)

Question Number	Answer	Mark
1(b)(ii) 1 & 2	Reason identified, 1 mark, development, 1 mark. E.g. Digital cameras are luxuries not necessities so as the price falls lots more will be bought.	(4)

Question Number		Indicative content
1(b)(iii)		
Level	Mark	Descriptor
Level 1	1-2	Reference to price changes and total revenue, 1 mark. Reference to elastic/inelastic for second mark. E.g price elasticity gives firms some knowledge of what happens to total revenue when they change price (1 mark). If elasticity is elastic then as price increases total revenue will fall (1 mark).
Level 2	3	Must have reference to both elastic and inelastic for 3 marks. E.g. price elasticity gives firms some knowledge of what happens to total revenue when they change price (1 mark). If elasticity is elastic then as price increases total revenue will fall (1 mark) and if inelastic as price increases total revenue will rise (1 mark).
Level 3	4	Must have some reference to another factor which might affect the decision making of firms for full marks e.g. price wars, penetration of new markets, future cost changes.

Question Number	Answer	Mark
1(c)(i)	Definition 1 mark, example 1 mark. E.g. each worker does a specific task, 1 mark, in a camera some workers put in lenses others pack the cameras etc. (1 mark). The example doesn't have to apply to camera factory. Accept specialisation for 1 mark.	(2)

Question Number	Answer	Mark
1(c)(ii)	Advantage 1 mark, disadvantage, 1 mark. E.g. Task becomes easier, monotony.	(2)

Question Number		Indicative content
1(d)		
Level	Mark	Descriptor
Level 1	1-2	Each way government interferes 1 mark. E.g. in USA the government might use minimum wage rates (1 mark).
Level 2	3-4	Each government interferes 1 mark, development 1 mark. E.g. in USA the government might use minimum wage rates (1 mark) but in Puerto Rico they might not (or they may be higher in USA) (1 mark). Must also have another factor which might affect wage rates between the two countries e.g. more workers in Puerto Rico (1 mark) so wage rates lower as supply of workers greater than demand (1 mark).
Level 3	5-6	Must have some evaluation for full marks e.g. in USA the government might use minimum wage rates (1 mark) but in Puerto Rico they might not (or they may be higher in USA) (1 mark). Must also have another factor which might affect wage rates between the two countries e.g. more workers in Puerto Rico (1 mark) so wage rates lower as supply of workers greater than demand (1 mark). Thus government interference may contribute to the difference in the wage rates but it is only one factor. Many others ranging from labour supply to cost of living must also be taken into account. (2 marks).

Question Number	Answer	Mark
2(a)(i)	Each change identified, 1 mark e.g. declined, 1 mark. Reference to data 1 mark e.g. 60% to less than 10%.	(2)

Question Number	Answer	Mark
2(a)(ii)	Each change identified, 1 mark e.g. increased, 1 mark. Reference to data 1 mark e.g. 40% to 88%.	(2)

Question Number	Answer	Mark
2(a)(iii)	Any relevant reason identified, 1 mark, development 1 mark. E.g. growth in car ownership - 1 store shopping.	(2)

Question Number		Indicative content
2(a)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Each effect identified, 1 mark. E.g. less choice of retailer, less convenient.
Level 2	3	Examples given of costs and benefits.
Level 3	4	Must have reference to benefits and costs to consumers for full marks. E.g. less choice of retailer (1 mark) and less convenient (1 mark) but the big four retailers may provide cheaper goods (1 mark) as they buy in bulk (1 mark).

Question Number	Answer	Mark
2(a)(v)	Example 1 mark e.g. loyalty cards, after sales service, delivery.	(1)

Question Number	Answer	Mark
2(b)(i) 1 & 2	Each advantage identified, 1 mark. E.g. larger market share/control of market, economies of scale. Accept different types of economy of scale, 1 mark for each.	(2)

Question Number	Answer	Mark
2(b)(ii) 1 & 2	Each way identified, 1 mark, development, 1 mark. E.g. Government can give set up advice centres (1 mark) about finance, business plans (1 mark).	(4)

Question Number	Answer	Mark
2(b)(iii)	Measure way identified, 1 mark, development, 1 mark. E.g. set up a mergers commission (1 mark) which investigates mergers and can stop them (1mark).	(2)

Question Number		Indicative content
2(b)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Each advantage 1 mark. E.g. more efficient, employ lots of people.
Level 2	3-4	Each advantage 1 mark, development 1 mark. Large firms benefit from of economies of scale (1 mark) so are more efficient making them more competitive abroad. (1 mark) Must have disadvantage 1 mark, development 1 mark, for full 4 marks. E.g. However, if a few large firms control the market this may lead to higher prices and make them less competitive abroad. If one sided argument, maximum 3 marks.
Level 3	5-6	Must have both at least one advantage and one disadvantage with some development for 5 marks plus some evaluation as to the overall effect. E.g. Large firms benefit from of economies of scale (1 mark) so are more efficient, this could make them more competitive abroad.(1 mark) However, if a few large firms control the market this may lead to higher prices (1 mark) and make them less competitive abroad. (1 mark). The extent to which they benefit an economy will depend on many factors including their efficiency, prices and the effect they have on employment. All of these can be positive or negative. (2 marks)

Question Number	Answer	Mark
3(a)(i)	1 mark for stating a fall in rate of economic growth 1 mark for using figures from data. E.g Rate of interest fell (1 mark) between 1998 and 2003 from 7% to 4.5% (1 mark) OR Rate of interest fluctuated (1 mark) falling in most years except for 1999 - 2000 and it also rose 2003-2004 (1 mark).	(2)

Question Number	Answer	Mark
3(a)(ii)	1 mark for each reason e.g. increase standard of living, increase employment.	(2)

Question Number	Answer	Mark
3(b)(i)	Level of education and skill (1 mark) possessed by labour (1 mark)	(2)

Question Number	Answer	Mark
3(b)(ii)	Each way identified, 1 mark. E.g. education, training, health care.	(2)

Question Number	Answer	Mark
3(b)(iii)	1 mark for stating economic growth will increase. 1 or 2 marks for reasons depending upon whether developed. e.g. Economic growth will increase as the country's natural resources have increased. This will lead to more earnings for the country and an increase in GDP.	(3)

Question Number	Answer	Mark
3(b)(iv)	Disadvantage identified 1 mark, development, 1 mark e.g. air and river pollution may increase as the industries produce more waste products.	(2)

Question Number		Indicative content
3(b)(v)		
Level	Mark	Descriptor
Level 1	1-2	Each advantage or disadvantage identified 1 mark, development, 1 mark. E.g. economic growth may lead to increases in the standard of living (1 mark) but this can also lead to pollution (1mark).
Level 2	3	Must have both advantages and disadvantages with some development.
Level 3	4	Must have some and reference to an actual economy. E.g. economic growth may lead to increases in the standard of living (1 mark) but this can also lead to pollution (1mark) as experienced in the Maldives with the increase in tourism (1 mark) and its effects on the coral reefs. (1 mark)

Question Number	Answer	Mark
3(c)(i)	1 mark for description and 1 mark for reference to years e.g. Rate of interest fell between 1998 and 2003 except for 1999 - 2000. It also rose 2003-2004.	(2)

Question Number		Indicative content
3(c)(ii)		
Level	Mark	Descriptor
Level 1	1-2	Reference to fall in rate of interest to reduce unemployment, 1 mark. Reason identified, 1 mark e.g. increases demand.
Level 2	3-4	As above but more than one reason identified with development e.g. a fall in interest rates (1 mark) will lead to a reduced cost of borrowing (1 mark) so people will spend more. Return on savings will fall so people will save less (1 mark).
Level 3	5-6	As above but must evaluate its effectiveness. E.g. the low rates may lead to increased investment by firms but other factors like expectations may also influence this decision which would lead to increased employment.

Question Number	Answer	Mark
4(a)(i)	Each reason identified 1 mark. E.g. lower costs of labour, lower costs of land.	(2)

Question Number	Answer	Mark
4(a)(ii)	Each way, 1 mark. E.g. financial incentives (1 mark for each identified).	(2)

Question Number	Answer	Mark
4(a)(iii)	Each measure identified, 1 mark. E.g. retraining. Also accept welfare benefits to unemployed, increase in number employed by the state.	(2)

Question Number		Indicative content
4(a)(iv)		
Level	Mark	Descriptor
Level 1	1-2	Effects (up to 2) identified but no development and from either developing or developed country. E.g. developing country advantages: may lower unemployment, increase choice (2 marks).
Level 2	3-4	Effects which consider either or both developed and developing country and/or advantages and disadvantages with some development e.g. a developing country will benefit from increased employment (1 mark) but the firms may exploit the workers (1 mark) with low wages and poor working conditions(1 mark). Firms may provide more choice (1 mark) for consumers.
Level 3	5-6	Must include advantages and disadvantages to developing country and to developed country. E.g. a developing country will benefit from increased employment (1 mark) but the firm may exploit the workers (1 mark) with low wages and poor working conditions(1 mark). Firms from developed countries may benefit from reduced labour costs (1 mark) and increased profits (1 mark) but this might be at the expense of a rise in unemployment in the developed country.

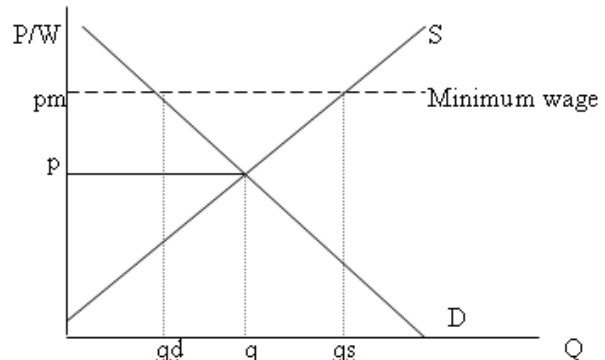
Question Number	Answer	Mark
4(b)(i)	Example e.g. \$1 = €2 changing to \$1 = €3 (1 mark) Definition: the value of one currency (1 mark) increasing in terms of another (1 mark).	(3)

Question Number	Indicative content	
4(b)(ii)		
Level	Mark	Descriptor
Level 1	1-2	Each effect identified, 1 mark. E.g. imports will increase.
Level 2	3-4	Each effect identified (1 mark) and developed (1 mark). E.g. imports will seem relatively cheaper (1 mark) so they will increase (1mark).
Level 3	5-6	Must have effect on balance of payments for full marks E.g. imports will seem relatively cheaper (1 mark) so they will increase (1mark) and thus the current account will worsen (1 mark). Exports will be more expensive (1 mark) so demand will fall (1 mark) and the current account will worsen (1 mark).

Question Number	Answer	Mark
4(b)(iii) 1 & 2	Effect identified 1 mark, development 1 mark. 1. An increase in exports leads to a demand for foreign currency (1 mark), this will lead to an increase in its value (1 mark). 2. Decrease in interest rate: decreased demand for currency (1 mark) currency depreciates (1 mark). Also accept decrease rate of interest, increases domestic spending on imports (1 mark) causing supply to increase and value to fall (1 mark).	(4)

Paper 3 Mark Scheme

Question Number	Answer	Mark
1	Give 1 mark for each of the following points. Max 3 marks. USA c\$800 UK is about the same Australia and/or Ireland are higher All other countries are lower Any one named country with a lower figure e.g. Chile c \$200	(3)

<ul style="list-style-type: none"> • Question Number 	<ul style="list-style-type: none"> • Answer 	<ul style="list-style-type: none"> • Mark
<ul style="list-style-type: none"> • 2(a) 	<ul style="list-style-type: none"> •  • Give marks as below: <ul style="list-style-type: none"> • Both axes correctly labelled, may use P or W – 1 mark • Demand line correctly drawn and labelled – 1 mark • Supply line correctly drawn and labelled - 1 mark • Indication of price/wage and quantity before minimum wage – 1 mark • New wage/price with the minimum wage – 1 mark • New quantity demanded and supplied with the minimum wage – 1 mark • Minimum Wage clearly marked [see diagram] – 1 mark • NB max 6 marks 	<ul style="list-style-type: none"> • • • • • • • • • • • • • • • • • • <p>(6)</p>

Question Number	Indicative content	
2(b)	<p>Source C</p> <ul style="list-style-type: none"> • Presumably a minimum wage would bring demand and supply into equilibrium instead of 'demand for ... workers is increasing faster than supply'. <p>Source D</p> <ul style="list-style-type: none"> • Encourages firms to use labour efficiently - reduces demand? • Encourages unemployed workers to enter the labour market - increases supply? <p>Source E</p> <p>Reduce demand:</p> <ul style="list-style-type: none"> • Fewer people employed • Fewer jobs created • Encouraging firms to substitute capital for labour <p>A possible answer would be: The diagram shows that the wage rate would rise from p to p_m, the quantity supplied would increase from q to q_s while the demand would fall to q_d leaving a surplus of supply over demand. [Level 2] This would be good for a country where demand exceeds supply [India - source C] as it would bring them into equilibrium, but would be bad for other countries leading to unemployment [Level 3]. The evidence is contradictory with some claiming that it would reduce demand [source E] while others claim it would encourage the unemployed to seek jobs. The overall result may depend on the elasticity of demand for workers. If it is inelastic then demand will not fall leading to a gain for workers. [top Level 3]</p>	
Level	Mark	Descriptor
Level 1	1-2	Candidates show some knowledge and application e.g. 'the minimum wage will increase the wage paid and the supply of workers' [2].
Level 2	3-4	Candidates are able to explain some effects of the minimum wage and will probably refer to the diagram. A candidate who either refers to both the sources and the diagram and/or covers both the supply and demand for workers will be at the top.
Level 3	5-8	Candidates are able to examine the possible effects making clear references, at the top, to both the sources and the diagram. A candidate who refers, correctly, to the answer depending on the elasticity of either supply or demand will be at the top.

• Question Number	• Indicative content	
<ul style="list-style-type: none"> • 3 	<ul style="list-style-type: none"> • Candidates are likely to use their own knowledge to answer this question, but there are some points they could refer to: <ul style="list-style-type: none"> • • Source B <ul style="list-style-type: none"> • In western Europe itself, there are large differences in average weekly pay between countries • In eastern Europe, pay levels are generally much lower • earnings in eastern Europe are still much higher than in many Asian countries • • Source D <ul style="list-style-type: none"> • Protects workers from exploitation • Lifts low paid workers out of poverty • • Source E <ul style="list-style-type: none"> • The highest wage is reserved for the most productive people • means of ensuring their members are well paid 	
• Level	• Mark	• Descriptor
<ul style="list-style-type: none"> • Level 1 	<ul style="list-style-type: none"> • 1-3 	<ul style="list-style-type: none"> • Candidates at the top are able to offer some analysis. Others can show knowledge and application. <ul style="list-style-type: none"> • <ul style="list-style-type: none"> • Demand exceeding supply [sources C & D] • Western firms relocating [B & C] • Introduction of minimum wage [D & E] • <ul style="list-style-type: none"> • Give 1 mark for knowledge + 1 mark for some application and 2 marks for analysis/explanation. Max 4. • <ul style="list-style-type: none"> • With firms from the UK relocating to Asia demand for labour is exceeding supply [1] in India and China pushing wages up [1]. This is because these firms want skilled workers and as there is a shortage this allows workers to ask for higher wages or to move to firms who will pay more thus pushing up the wage level[2]. •
<ul style="list-style-type: none"> • Level 2 	<ul style="list-style-type: none"> • 4-5 	<ul style="list-style-type: none"> • Candidates are able to explain their argument and to justify it. Answers at the top will refer to both sides. <ul style="list-style-type: none"> • <ul style="list-style-type: none"> • ‘Where supply exceeds demand employers can pay low wages [1 mark - knowledge]. In China, many workers have to work very long hours for very low pay because other work is non-existent [2nd mark - application]. Low pay may mean, however, that there is a low cost of living. Workers in Asia will be paid less than those in Europe because of this. [Top, Level 1]. Low pay only exploits the

		workers if they are not being paid a fair return or one that keeps them in poverty. Source E points out that high wages are paid to the most productive people. I think, therefore, that low wages may be exploitation, but may be a sign of lower living costs and lower productivity. [Level 2]'
--	--	--

Question Number		Indicative content
4		<ul style="list-style-type: none"> • Demand exceeding supply [sources C & D] • Western firms relocating [B & C] • Introduction of minimum wage [D & E] • Rise in living costs [C] • Trade union activity [E] • Large profitable firms willing to pay more [E] <p>With firms from the UK relocating to Asia demand for labour is exceeding supply [1] in India and China pushing wages up [1]. Level 1</p> <p>This is because these firms want skilled workers and, as there is a shortage [1], this allows workers to ask for higher wages, or to move to large profitable firms who will pay more [1]. Level 2</p> <p>This will push up the wage level causing the cost of living to rise [1] thus needing higher wages for all [1]. Level 3</p>
Level	Mark	Descriptor
Level 1	1-2	Candidates are able to offer knowledge and application.
Level 2	3-4	Candidates start to explain, but the explanation lacks depth.
Level 3	5-6	Candidates are able to offer an explanation in depth making good use of economic terms and concepts.

Question Number		Indicative content
5(a) & (b)		<p>Section (a)</p> <p>Source B</p> <ul style="list-style-type: none"> • Manufacturers - saving on labour costs • Manufacturers - wage costs at or below the lowest levels in eastern Europe <p>Source C</p> <ul style="list-style-type: none"> • Countries - pay rising • Countries - living costs rising <p>Source D</p> <ul style="list-style-type: none"> • Manufacturers - high wages in W. Europe encourages labour efficiency - will this be the case if wages are low? <p>Source E</p> <ul style="list-style-type: none"> • Country - high wages lead to more demand and more

business activity

- Country - rising wages could cause problems for the unskilled
- Country - higher wages could lead to more imports

Benefits

- Low wages reduce costs per unit and increase their competitiveness
- Plenty of labour including skilled/graduate labour
- Less regulation and thus lower costs

Costs

- May need to train workers - problem of skill
- In some countries there may be a language barrier
- Political interference/ cultural differences
- Customers may dislike the arrangement - cannot visit factory, lack of understanding; etc

'Manufacturers will gain because they are able to produce with lower costs, both wages and less regulatory costs, thus allowing them to compete more effectively in world markets [Level 2]. They may need, however, to spend money on training and could find the workers less productive. [Level 2]. Overall, the saving in costs is often so great that the benefits are likely to outweigh the costs [Level 3].'

Section (b)

Benefits

- Job creation
- Increased economic demand - multiplier effect
- Skills transfer
- Capital transfer

Costs

- Higher cost of living
- Disadvantage of the unskilled/poorest
- Increased environmental problems
- Increased imports

'Asian countries benefit from an inflow of capital and a transfer of skills that improve both the economy and the workforce. It also increases economic development that could benefit everyone. On the other hand, foreign firms push up wages and cost of living and can bring industrial pollution [Level 2]. So long as the government ensures that this relocation is controlled then the benefits are likely to outweigh the costs because what my country and other Asian countries lack is sufficient skilled employment [Level 3].'

For:

- India has lowest minimum wage [source A]
- Lower labour costs than in UK and in most E. European countries [source B]
- Indian wages grown little in 5 years [source B]

		<ul style="list-style-type: none"> • Pay is growing fast in China [sources B & C] • High living costs in China [source C] <p>Candidates are likely to refer, also, to their own knowledge</p> <p>Against:</p> <ul style="list-style-type: none"> • Wages are not necessarily lower [source B] • Wages may rise in India [source C] • Possible lack of skilled workers [source C] • Could find cheaper labour [implied in source E] • Less demand as fewer jobs are created [source E] • More people may offer themselves for work [source E] <p>Candidates are likely to refer, also, to their own knowledge</p>
Level	Mark	Descriptor
Level 1	1	Candidates demonstrate some knowledge and understanding of the question.
Level 2	2-3	Candidates are able to offer some application and analysis. They may consider either the benefits and/or the costs. To reach the top there must be some explanation of at least one point.
Level 3	4-6	Candidates are able to offer a supported argument that considers both benefits and costs and a justified conclusion. Answers that only consider the benefits or the costs will be at the bottom.

Further copies of this publication are available from
Edexcel UK Regional Offices at www.edexcel.org.uk/sfc/feschools/regional/
or International Regional Offices at www.edexcel-international.org/sfc/academic/regional/

For more information on Edexcel qualifications, please visit www.edexcel-international.org/quals
Alternatively, you can contact Customer Services at www.edexcel.org.uk/ask or on + 44 1204 770 696

Edexcel Limited. Registered in England and Wales no.4496750
Registered Office: One90 High Holborn, London, WC1V 7BH