

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						4	3	5	0	/	2	H	Signature	

Paper Reference(s)

4350/2H

**London Examinations
IGCSE**

Economics

Paper 2H

Higher Tier

Monday 29 October 2007 – Morning

Time: 2 hours 15 minutes

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
Total	

Materials required for examination

Calculator

Items included with question papers

Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature. Check that you have the correct question paper.

Answer ALL the questions. Write your answers in the spaces provided in this question paper. Do not use pencil. Use blue or black ink.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).

There are 4 questions in this question paper. The total mark for this paper is 100.

There are 20 pages in this question paper. Any blank pages are indicated.

Calculators may be used.

Advice to Candidates

Write your answers neatly and in good English.

You are advised to spend the same amount of time on each of the 4 questions.

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Answer ALL the questions.

Question 1

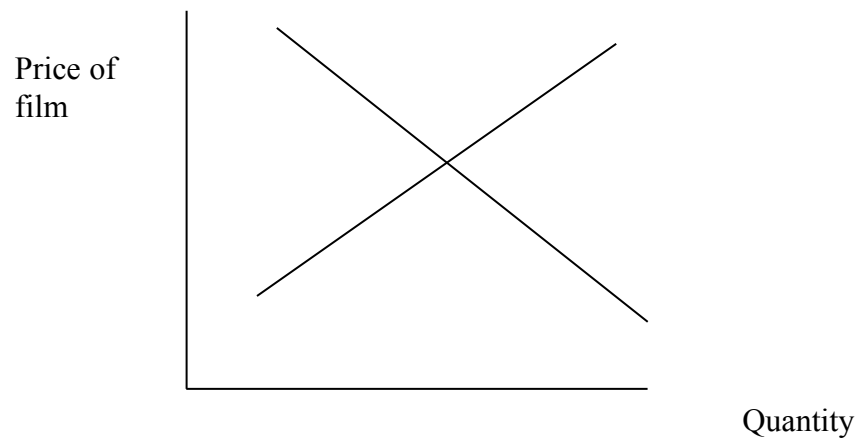
Consumers are replacing their traditional cameras with new digital cameras. Traditional cameras require film and digital cameras require memory cards.

- (a) (i) What is the economic term used to describe the relationship between traditional cameras and film?

.....
.....

(1)

Figure 1: Demand and supply of film for traditional cameras



On Figure 1 above,

- (ii) label demand, D, supply, S, equilibrium price, P and the equilibrium quantity, Q; **(2)**

- (iii) show the effect of growing sales of digital cameras on the equilibrium price and quantity of film for traditional cameras. **(2)**



(b) (i) What is price elasticity of demand?

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(2)

(ii) Briefly explain **two** reasons why the demand for digital cameras might be price elastic.

1
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2
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(4)

(iii) How important is price elasticity of demand in the decision making of firms?

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(4)



(c) (i) Companies manufacturing cameras use division of labour. With the aid of an example, define the term “division of labour”.

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(2)

(ii) State **one** advantage and **one** disadvantage of division of labour to firms.

Advantage:
.....

Disadvantage:
.....

(2)



Figure 2

Country	Wage rate (\$) per hour
USA	16.14
Puerto Rico	10.80

Figure 2 shows the average wage rates in the USA and Puerto Rico for workers in manufacturing in 2004.

(d) To what extent might government interference in the labour market account for the different wage rates in the two countries?

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(6)

Q1

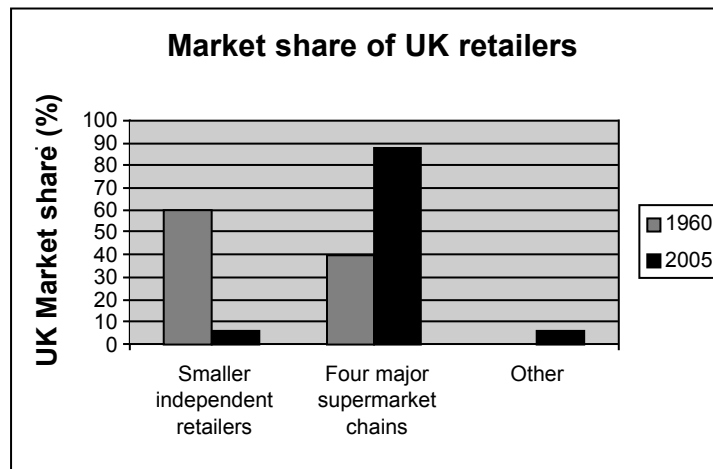
(Total 25 marks)

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Question 2

Figure 1



(a) With reference to the data in Figure 1, describe the changes in the market share between 1960 and 2005 of:

(i) smaller independent retailers;

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.....
..... (2)

(ii) the four major supermarket chains.

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..... (2)

(iii) Briefly explain the cause of these changes.

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..... (2)



(iv) Are the benefits to customers from these changes likely to be greater than the disadvantages? Give reasons for your answers.

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(4)

(v) Large supermarkets use non-price competition. Give an example of non-price competition.

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(1)

(b) (i) In 2004 two large supermarkets merged. State **two** advantages of this merger to the firms.

1

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2

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(2)



(ii) Briefly explain **two** ways in which a government can increase the number of small firms in an economy.

1

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2

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(4)

(iii) Briefly explain **one** measure a government can take to limit the size of firms.

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(2)

(iv) Are large firms an advantage to an economy? Justify your answer.

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(6)

Q2

(Total 25 marks)



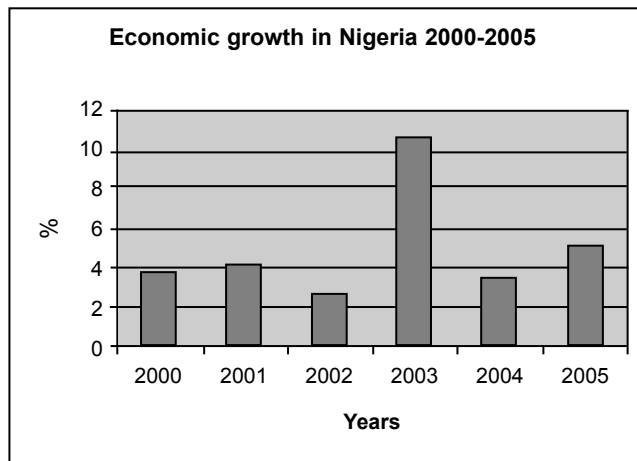
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Question 3

Figure 1



(a) (i) Using the data in Figure 1, describe what happened to economic growth in Nigeria between 2003 and 2004.

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(2)

(ii) State **two** reasons why economic growth is a government objective.

1
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2
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(2)

(b) (i) What is meant by “human capital”?

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(2)



(ii) Identify **two** ways in which human capital can be increased.

1

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(2)

(iii) Briefly explain how the discovery of oil reserves in a country can affect its rate of economic growth.

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(3)

(iv) Briefly explain **one** disadvantage of economic growth.

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(2)



(v) Do the advantages of economic growth outweigh the disadvantages? Justify your answer.

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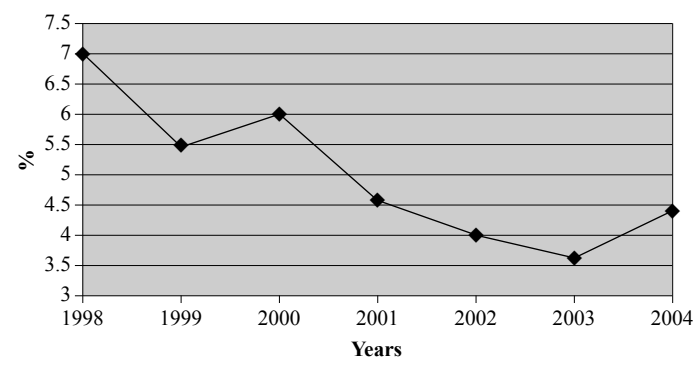
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(4)

Figure 2

Average Bank of England Interest Rate



(c) (i) Using Figure 2 describe what happened to the rate of interest between 1998 and 2004.

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(2)



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(ii) Analyse how effective changes in the rate of interest may be in reducing unemployment.

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(6)

Q3

(Total 25 marks)

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Question 4

(a) (i) In 2002 a UK company, Dyson, announced plans to move the production of its vacuum cleaners from the UK to Malaysia. Identify **two** reasons why manufacturing firms shift production to developing countries.

1

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2

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(2)

(ii) State **two** ways in which the governments of developing countries can encourage foreign firms to move to their countries.

1

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2

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(2)

(iii) Workers in developed countries may lose their jobs when firms relocate to developing countries. Identify **two** measures governments may take to help these workers.

1

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2

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(2)



(iv) Do you think that globalisation benefits developing countries more than developed countries? Justify your answer.

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(6)

(b) (i) Explain, with the aid of a numerical example, what is meant by the term **appreciation** of a currency.

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(3)



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(ii) Examine the likely effects of an appreciation of its currency on a country's current account balance of payments.

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(6)



(iii) Briefly explain the effects on the exchange rate of a currency of:

1. an increase in exports;

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(2)

2. a decrease in the rate of interest.

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(2)

Q4

(Total 25 marks)

TOTAL FOR PAPER: 100 MARKS

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