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

Paper Reference(s)

4350/03

London Examinations IGCSE

Economics

Paper 3

Common to both tiers

Friday 12 November 2010 – Afternoon

Time: 1 hour plus reading time of 10 minutes

Examiner's use only

Team Leader's use only

Question Number	Leave Blank
1	
2	
3	
4	
5	
6	
Total	

Materials required for examination	Items included with question papers
Calculator	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.
The sources which you have studied when preparing for this examination are printed at the end of this examination paper. You have 10 minutes to read the questions and think about how to use the sources to answer them. You must NOT bring your own copy of the sources or any notes you have made into the examination.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. **(2)**.
There are 6 questions in this question paper. The total mark for this paper is 40.
There are 12 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.

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Turn over

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You have been asked to write a report on how your government should deal with the fall in economic growth and the financial crises.

At the end of the paper are five sources of information on the subject of the financial crises and fall in economic growth. The report has been divided in the paper into a series of tasks. Use the information, together with your knowledge and understanding of economics, to answer questions 1–6.

- You should use economic concepts and terms.
- You should use diagrams, graphs or tables where you think they are appropriate. (Use the extra sheets provided if necessary.)
- You should refer to the sources in your report, but do not spend time copying large amounts from the sources.

Leave blank

Answer all the questions

1. (a) Using Source A, which country had the lowest growth rate in 2008?

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(1)

(b) Using Source A, which country had the greatest projected recovery from 2009 to 2010?

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(1)

(c) Using Source A, compare the growth rates of Russia and the USA.

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(2)

(d) Explain why the growth rates shown for 2010 may not be accurate.

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(2)

Q1

(Total 6 marks)

Leave blank

2. (a) Using Source D, explain **one** reason why some developing countries still have a high rate of economic growth.

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(3)

(b) Explain **one** reason why some developing countries have lower economic growth than others.

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(3)

Q2

(Total 6 marks)

Leave blank

3. (a) Using the sources, explain **one** reason why unemployment was expected to increase in 2009.

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(3)

(b) Explain how low interest rates could help to increase demand.

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(3)

Q3

(Total 6 marks)

Leave blank

4. With reference to Source B, assess the impact of lower taxes on economic growth.

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Q4

(Total 6 marks)

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5. Recommend to a country of your choice whether investing in very large scale projects would be the best way to increase economic growth.

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(Total 8 marks)

Q5

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6. How well has the country of your choice coped with global economic pressures from 2008 to 2010? Give reasons for your answer.

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Q6

(Total 8 marks)

TOTAL FOR PAPER: 40 MARKS

END

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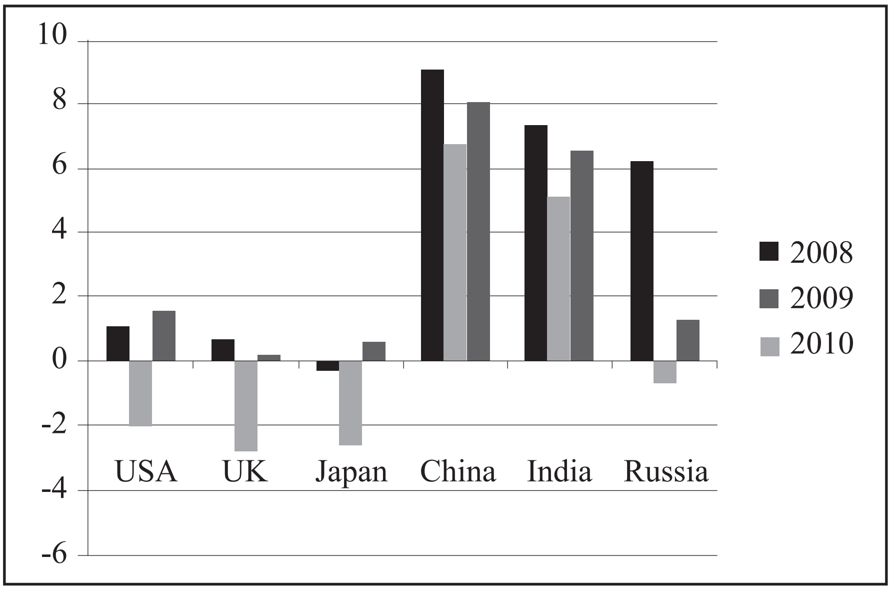
SOURCES

Source A

Selected Growth Rates (%)



Figures for 2009 and 2010 are IMF projected growth rates

Source: www.imf.org

Source B

World Faces Deepening Crisis, IMF Warns

The IMF predicts a deepening economic crisis, with the slowdown in advanced economies now spreading to major emerging markets such as China, India, and Brazil. The IMF has adjusted downwards its forecast for world growth for 2009 as economic prospects worsened. This affects not just the United States and Europe, but also major emerging market economies such as China, India, and Brazil.

The IMF has recommended a combination of measures to get the world economy back on track, including:

- stabilising financial markets and getting credit flowing again
- fiscal stimulus through increased government spending and tax cuts to revive consumer demand. More spending has a quicker impact than tax cuts
- monetary support for developing countries to reduce the effects on them.

The IMF has proposed that governments should act together to inject a global fiscal stimulus equivalent to about 2 per cent of world GDP ($1.2 trillion).

Source: www.imf.org

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Source C

World growth 'lowest in 60 years'

"We now expect the global economy to come to a virtual halt," said IMF chief economist Olivier Blanchard in a statement in January 2009. The IMF says that growth in emerging and developing economies is expected to slow sharply, from an average of 6.25% in 2008 to 3.25% in 2009. The main reasons are falling export demand, lower commodity prices and much tighter global financial constraints.

Meanwhile, the International Labour Organisation has predicted that up to 50 million people may lose their jobs in 2009. In China up to 40 million workers will be searching for work. In Japan, the major car manufacturers plan to cut a total of 25,000 jobs by the end of March and in the Philippines, up to 300,000 people could lose their jobs by the end of June.

The IMF forecast a gradual recovery in the global economy in 2010 of about 3%, encouraged by "continued efforts to ease credit as well as expansionary fiscal and monetary policies".

Source: http://english.aljazeera.net/business/

Source D

The global financial crisis and developing countries

The global financial crisis is already causing a considerable slowdown in most developed countries. In 2008 stock markets fell more than 40% and some investment banks collapsed. Rescue packages involved more than a trillion US dollars, and interest rates were cut around the world.

The former strong link between changes in GDP in developed countries and growth in African countries has been broken. While economic growth is falling in some developed countries, the Malawian finance minister estimated Malawi's economic growth at more than 8% in 2008, while Nigeria had growth of 9%.

This strong growth is due to:

- structural changes in these economies including growth of the service sector
- demand from China
- better economic management.

Not all developing countries are doing well, with small importing countries such as Fiji and Swaziland badly affected by higher fuel and food prices.

The IMF predicted a gloomier outlook with sub-Saharan African growth slowing to 3.25% in 2009 from over 5% and the region's current account deficit widening by more than 4% of GDP. This is a result of:

- reduced demand for exports, leading to reduced government revenue
- reduced credit leading to less finance for trade.

Source: www.odi.org.uk and www.imf.org

Source E

How can Nepal deal with the Global Financial Crises?
The recession in Europe means that the EU will find it hard to maintain its aid levels to Nepal. This poses a grave danger of an economic slowdown since so much of the capital investment is aid generated. In addition, exports will fall rapidly as Nepalese products face tough competition from other countries. All of this will mean that poverty levels will rise, as consumption levels and the health status of the poor will decline.
The Government faces two options. One is to invest in a few very large scale projects hoping that they will have spillover effects on the macro-economy. The other is to provide investment funds to the many small and medium businesses to stimulate growth and development and achieve greater self-reliance.

Source: www.telegraphnepal.com

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