Centre No.					Pape	er Refer	ence			Surname	Initial(s)
Candidate No.			4	3	5	0	/	2	H	Signature	

Paper Reference(s)

### 4350/2H

# **London Examinations IGCSE**

Exam	iner's us	e only
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## **Economics**

Paper 2H

# **Higher Tier**

Wednesday 7 May 2008 - Morning

Time: 2 hours 15 minutes

Materials required for examination	Items included with question papers
Nil	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.

Some questions must be answered with a cross in a box (🔀).

If you change your mind about an answer, put a line through the box  $(\boxtimes)$  and then mark your new answer with a cross  $(\boxtimes)$ .

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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Turn over

Total



#### Answer ALL the questions.

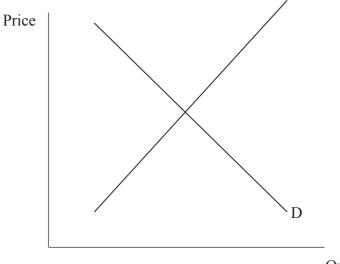
#### **Question 1**

China Bicycle, one of China's biggest manufacturers, closed in 2005. One of the reasons for its closure was fierce competition from foreign bicycle producers.

(a) Figure 1a shows the demand and supply of bicycles in China before foreign competition.

Figure 1a

The Market for Bicycles made in China



Quantity

- (i) Indicate on Figure 1a the original price,  $P_1$ , and original quantity,  $Q_1$ . (2)
- (ii) Draw a new demand curve, D<sub>2</sub>, to show the effect of fierce competition from foreign bicycle producers.

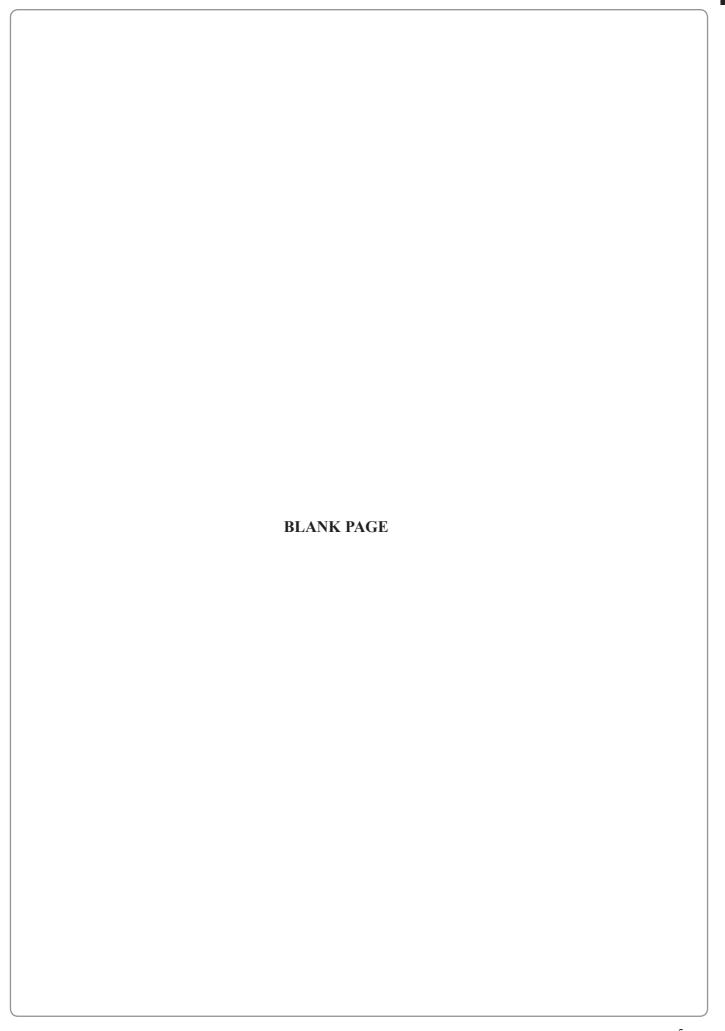
(1)

(iii) Label the new equilibrium price  $P_2$  and the new equilibrium quantity  $Q_2$ . (2)



(i)		and bicycles are substitute goods. Place a tick in the correct box to show the elasticity of demand of a good which has a close substitute.
	Inelast	tic 🖂
	Unitar	у 🛮
	Elastic	<del>_</del>
		(1
(ii)	illustra	Figure 1b, with reference to your answer in (b)(i) draw a diagram tate the impact of a fall in the price of bicycles on the total revenue receive oducers. Briefly explain your diagram.
		Figure 1b
	Price	
		Quantity

(c)	(i)	Bicycles and cars are manufactured goods. Identify <b>two</b> factors which determine the price elasticity of supply of manufactured goods.
		1
		2
		(2)
	(ii)	Consider the factors you have identified in (i). Which factor do you consider to be more important? Explain your answer.
		(5)



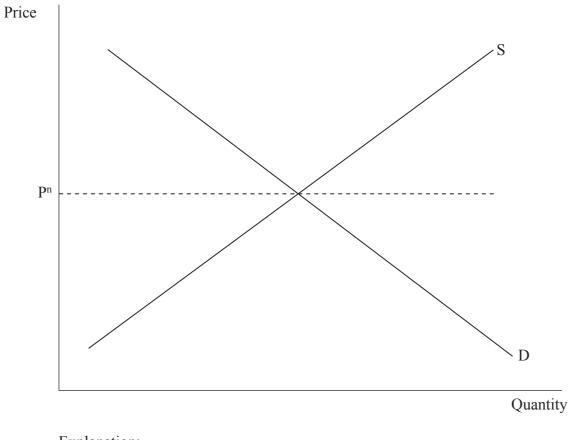


(d)	lead	China's capital city, Beijing, a thousand new cars are bought each day and this may I to problems of pollution and congestion. In order to reduce these problems the ernment could encourage people to use public sector transport rather than cars.
	(i)	With the aid of an example explain what is meant by "public sector transport".
		(2)
	(ii)	What is the term used to describe an economy which consists of both public and private sector firms?
		(1)

Leave blank

(iii) With the aid of Figure 1c, explain how the use of government subsidies can increase the demand for public transport.

Figure 1c



Explanation:

(5)

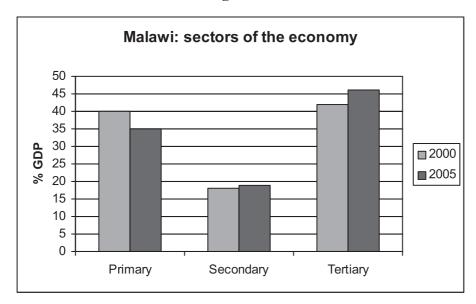
(Total 25 marks)

Q1

#### **Question 2**

Figure 2a shows the percentage contributed to GDP by the different sectors of the economy of Malawi in 2000 and 2005.

Figure 2a



(a)	(i)	Which sector of the economy contributed a lower percentage of GDP than in 2000?	in 2005
			(1)
	(ii)	Give an example of an occupation in the sector named in (a)(i).	
			(1)
	(iii)	) What is meant by productivity of labour?	
			(2)

	in the tertiary sector of an economy.
	003 a daily charge of £5 was introduced on cars and lorries travelling into Loraim of the charge was to reduce externalities in London.
(i)	Identify <b>two</b> externalities which result from cars and lorries in a city.
(1)	radium on o discontinuos vinion resalt from care and remes in a city.
(11)	Suggest <b>one</b> other method to reduce externalities caused by lorries.
(iii)	What method is likely to be most successful in reducing the external cos
(iii)	What method is likely to be most successful in reducing the external cos London roads? Give reasons for your answer.
(iii)	
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.
(iii)	London roads? Give reasons for your answer.



(c) Figure 2b shows a table of the costs and revenues for two delivery firms, Giant and Dwarf.

Figure 2b

	Giant Delivery	Dwarf Delivery
Total Cost	£20,000	£2000
Units delivered	10,000	(i)(1)
Average cost	(ii)(1)	£4

Complete the table above.

1	Giant and Dwarf are firms in the private sector of the economy. Distingui between the main aims of firms in the private sector and firms in the public sectof the economy.
	(
	Privatisation has taken place in many countries. Examine the relative costs as benefits of privatisation in improving the efficiency in an economy.
	(

Q2

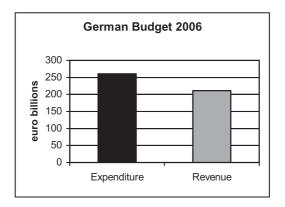
(Total 25 marks)

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#### **Question 3**

Figure 3a shows the German government's budget in 2006.

Figure 3a



(a) (1)	Place a tick in the corre	ect box to show whether the German government has a
	budget deficit	
	budget surplus	$\boxtimes$

budget equilibrium. 

(1)

(ii) Using the data in Figure 3a, explain your answer.

(2)

**(1)** 

(i)	Progressive:	
(-)	11081.001101	
		••••
···		
(11)	Regressive:	
		••••
		••••
(iii)	Explain one advantage and one disadvantage to the economy of a reduction	tio
(iii)	Explain one advantage and one disadvantage to the economy of a reduct direct taxes.	tio
(iii)		tio
(iii)	direct taxes.	tio
(iii)	direct taxes.	tio
(iii)	Advantage:	tio
(iii)	direct taxes.	tio
(iii)	Advantage:	
(iii)	Advantage:	tio
(iii)	Advantage:	
	Advantage:	

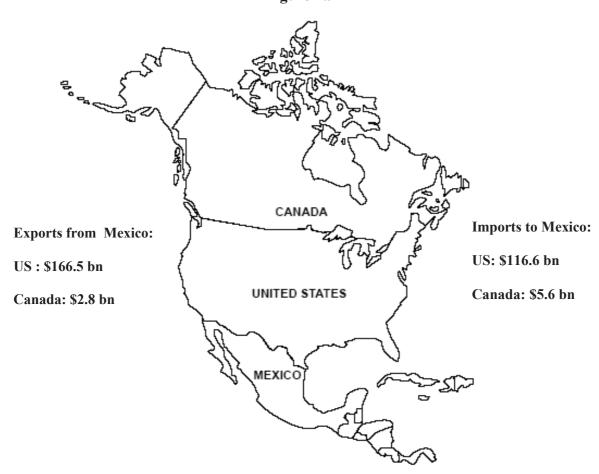


(Total 25 marks)

#### **Question 4**

The United States (US), Canada and Mexico are members of the North American Free Trade Area (NAFTA). Figure 4a shows a map of NAFTA and data for the trade in goods between Mexico and the other member countries.

Figure 4a



		(2)
		•••
(a) (1)	briefly explain what is meant by the balance of trade.	

WILI	1		
(ii)	United States		
		 	 (1)
(iii)	Canada.		
		 	 (1)

Study the information in Figure 4a. Calculate the overall balance of trade for Mexico

(b) The current account of the balance of payments consists of the visible and invisible exports and imports. Study the following items and indicate where in Figure 4b they should appear in the current account of the balance of payments of Mexico.

Example: Cars from the United States. Place A in the correct box.

- (i) Hats sold to America. Place **B** in the correct box.
- (ii) A Mexican businessman flying on a Canadian airline. Place C in the correct box.
- (iii) Canadian tourists staying in a Mexican hotel. Place **D** in the correct box.

Figure 4b

Visible exports	Visible Imports	<b>Invisible Exports</b>	<b>Invisible Imports</b>
	Example=A		

**(3)** 

(c)	(i)	Identify <b>two</b> reasons why governments protect domestic industries from foreign competition.
		1
		2(2)
	(ii)	Identify <b>two</b> methods of protecting domestic industries from foreign competition.
		1
		2(2)
	(iii)	Examine the extent to which one method identified in (c)(ii) is likely to be successful in reducing imports.
		(4)
(d)	(i)	What is meant by a trading bloc?
		(2)



· · · · ·	
(11)	countries outside the bloc
	(4)
(111	countries inside the bloc.
	(4)



Leave



