

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 6 November 2009 – Afternoon

Time: 1 hour plus reading time of 10 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	
5	
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.

**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 5 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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You have been asked to write a report on whether or not your government should introduce more competition into the economy.

At the end of the paper are six sources of information on the subject of Competition. 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 1–5.

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



**Answer all the questions**

1. (a) Using Source A, compare the level of technology used by Ireland and Ukraine in their exports to the OECD.

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**(4)**

- (b) Using Source B, explain how better technology may help to improve a country's competitive position.

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**(6)**

**Q1**

**(Total 10 marks)**

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3. (a) What is meant by 'privatisation'?

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(2)

(b) Referring to Source E, explain the consequences of privatising telephone industries for consumers.

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(4)

(Total 6 marks)

Q3



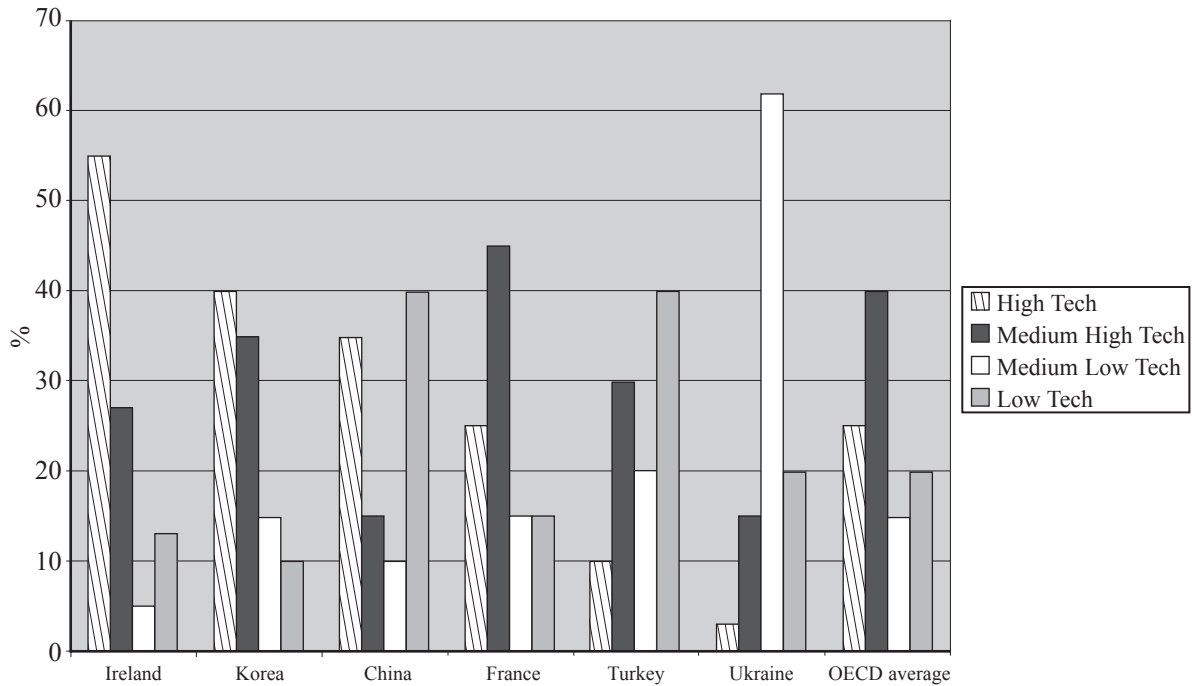




## SOURCES

### Source A

Level of technology involved in selected countries' exports of goods to the OECD



Source: www.oecd.org

OECD = Organisation for Economic Co-operation and Development – a group of 30 industrial countries.

### Source B

#### Technology and competition

Developing countries have traditionally relied on cheap labour to produce low-cost products and to be competitive. There is good evidence to show that this is not sustainable.

In China, rapidly increasing export earnings have pushed up wages and demand leading to inflation and reducing competitiveness. Attempts to keep prices down by cutting costs have led to poor quality products that are more difficult to sell.

In the Ukraine the rise in both labour costs and the cost of raw materials have removed the competitive advantage that the country used to have.

For such countries to remain competitive in globalised markets:

- better technology is needed to increase quality and reduce costs
- improved technology and competition will increase efficiency and quality, encouraging
- better education and training of the workforce.





**Source C****Why Competition?**

Well-designed competition law, effective law enforcement and competition-based economic reform can promote increased efficiency, economic growth and employment.

The increasingly global nature of business makes competition policy important everywhere; for example, China introduced an anti-monopoly law in 2007.

The Competition Act in India, as amended in 2007:

- seeks to promote competition
- prohibits anti-competitive agreements or abuse of a dominant position
- imposes hefty penalties for failure to comply with directions.

Competition policy can also stop a merger from going ahead, require a firm to sell off part of its business, or require them to behave in a way that safeguards competition.

Source: [www.oecd.org](http://www.oecd.org), <http://ec.europa.eu/comm/competition>, [www.competition-commission.org.uk](http://www.competition-commission.org.uk)

**Source D****Competition in Africa**

Many, but not all, countries in Africa are making great progress in reducing regulations that restrict competition and business. This can help reduce unemployment and promote economic growth. It can also help these countries take advantage of globalisation.

Ghana has cut the time it takes to register property from six months to one, while, at the same time reducing the business start-up time to 42 days.

Kenya is aiming to eliminate or simplify at least 1 000 of the country's 1 300 licences needed to start a business. Property registration is also faster due to the introduction of competition among land valuers.

Starting a business is not easy in the Democratic Republic of Congo (DRC). It takes 13 procedures and 155 days – and it costs five times the annual income per capita. The situation is even worse for women: they need the consent of a husband. And if you are a single woman, a judge decides whether you can become a businesswoman. The result: only 18 per cent of small businesses are run by women in the DRC. Next door, in Rwanda, which has no such regulations, women run more than 41 per cent of small businesses.

Source: <http://web.worldbank.org>



**Source E****Competition is better for consumers**

There is abundant evidence that consumers are better off when providers of goods and services are driven by the profit motive and the need to satisfy customers. Where there is restricted competition and a government-sanctioned monopoly, businesses can survive despite providing shoddy services, fewer choices and rising prices.

Since the privatisation or deregulation of the telephone industry in many countries, competition has provided consumers with a vast array of choices, lower prices and more courteous customer care than when government was the main provider of telephone services.

Equally, would consumers be better or worse off if one or two supermarkets were granted an exclusive monopoly in the provision of grocery services? The average well-stocked supermarket carries thousands of different items, and has sales – promotions and many strategies to win customers and retain their loyalty. Would they have the same incentives if they were granted a monopoly?

Source: [www.humanevents.com](http://www.humanevents.com)

**Source F****Competition is bad**

It is not true that competition is necessarily good and no competition is bad. Competition can:

- favour low quality goods over better quality, but more expensive, products
- lead to unemployment as firms go out of business if they cannot compete successfully
- lead to inefficient use of resources by creating large external costs
- result in a country's economy falling into the hands of foreign companies
- result in monopolies and oligopolies being formed as small businesses are forced out.



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