Centre No.							Рарс	er Refer	rence			Surname	Initial(s)
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		-	r Reference	(s)								_	

4350/2H

# **London Examinations IGCSE**

Exam	iner's use	e only
Team L	eader's u	ise only

Question

1

2

3

4

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# **Economics**

Paper 2H

# **Higher Tier**

Monday 7 June 2010 – 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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Total



## Answer ALL the questions.

#### **Question 1**

Figure 1a shows the demand and supply of cigarettes.

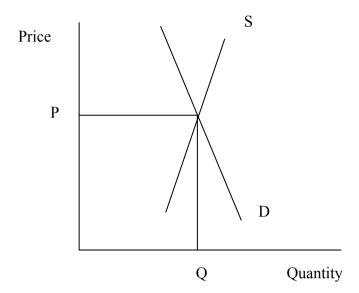


Figure 1a

- (a) On Figure 1a
  - (i) Draw a new demand curve, D<sub>1</sub>, to show the effect of a government health campaign which warns that cigarettes can lead to ill health.

**(1)** 

(ii) Label the new equilibrium price  $\boldsymbol{P}_1$  and new equilibrium quantity  $\boldsymbol{Q}_1$ .

**(2)** 

(iii) If government spending on the health campaign leads to reduced spending on education, this is an example of

Opportunity cost

X

A subsidy

×

An inferior good

X

X

Division of labour

**(1)** 

Leave blank The price elasticity of demand for cigarettes is inelastic. (b) (i) Define "price elasticity of demand". **(2)** (ii) Briefly explain one reason why the demand for cigarettes is likely to be price inelastic. **(2)** (iii) Briefly explain one reason why the elasticity of supply of tobacco is likely to be price inelastic. **(2)** 

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3

(c) (i)	Briefly explain <b>two</b> ways in which a cigarette manufacturer can increase t amount produced by each worker.
(c) (i)	Briefly explain <b>two</b> ways in which a cigarette manufacturer can increase t
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factory? Give reasons for your answer.	
	(5)
(Total 25 mar	rks)



Turn over

5

## **Question 2**

In 2000 Deutsche Post, the German post office, was privatised. Until January 2008 it was a monopoly and the only firm allowed to deliver letters weighing under 50 grams within Germany. From January 2008 other postal firms were allowed to compete with Deutsche Post.

St

udy th	ne para	graph above.				
(a)	From	the list below	w complete the follo	wing sentences.		
	secon	dary	companies	tertiary	private	
	state		individuals	invisible		
	(i) B	Before 2000 I	Deutsche Post was o	wned by the	and th	nen
	it	t was transfer	rred to the	sec	tor.	(2)
	(ii) F	arming is in	the primary sector.	Car manufacturing	is in the	
	-		sector an	d the Post Office i	s in the	
			sector of	the economy.		(2)
(b)	market (i) V	et structure cl	hanged from a mono	opoly to an oligopo	irms entered the market, oly. choice, distinguish betw	
	•					••••
	-					
						(4)



Leave blank (ii) Do the advantages of privatisation outweigh the disadvantages for the consumer? Explain your answer. **(5)** (c) The area of Gdansk in Poland has suffered from industrial decline. (i) Which of the following might result from the industrial decline of a region? Economic growth X Unemployment X Inflation X Increased standard of living X **(1)** 

I	Financial incentive:
1	Non-financial incentive:
	(2)
	Are government financial incentives more successful than other policies which encourage firms to set up in an area? Explain your answer.
	(5)
7) [	Too many firms in one area can lead to external costs.
(	Complete the following equation
`	

(v)	Identify <b>one</b> external cost and briefly explain <b>one</b> method a government can use to reduce this cost.  External cost:  Policy:	Leave blank
	(3)	Q2
	(Total 25 marks)	



Turn over

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# **Question 3**

Figure 3a shows the rate of inflation in Armenia and Germany from 2007 to 2009.

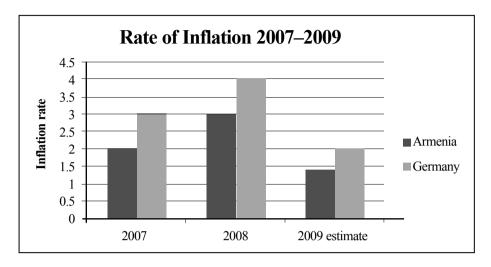


Figure 3a

(a) (i)	With reference to the data in Figure 3a, compare the rate of inflation in Armenia and Germany from 2007 to 2009.
	(4)

Leave blank (ii) If a basket of goods in Germany cost 100 euros in 2007, how much would the same basket of goods cost in 2008? Show your calculations. **(2)** (iii) Creditors and people on fixed incomes suffer more than others in an economy during times of inflation. Do you agree with this statement? Give reasons for your answer. **(5)** 



11

(iv) Which of the following government measures can reduce inflation in an economy?

Reduce income tax

Increase government spending on pensions

Increase tariffs

Reduce government investment

(1)

Figure 3b shows the economic growth of Armenia and Germany from 2007 to 2009.

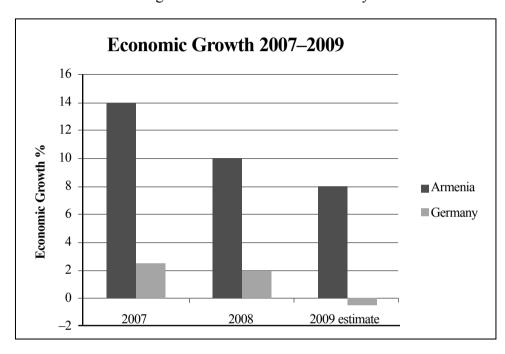


Figure 3b

(b)	(i)	What is happening to real Gross Domestic Product in Armenia from 2007 to
		2009? Explain your answer.

.....

.....

**(3)** 

Leave blank (ii) With reference to the data in Figure 3b identify the one similarity and one difference in the economic growth rates of Armenia and Germany from 2007 to 2008. **(4)** 



13

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	•••••
	(6)
(Total 25 ma	
(Total 25 ma	i ksj

Leave blank **Question 4** In 2008 the US multinational company Tyco announced it was to move a manufacturing plant from Ireland to Central America. (a) (i) What is meant by a "multinational" company? **(1)** (ii) Briefly explain two possible reasons why Tyco decided to move from Ireland to South America. **(4)** 

15

	Give reasons for your answer.
•	

blank

Leave

(b) Figure 4a shows the current account of the balance of payments for Turkey in 2007. Complete the table below.

	Million US Dollars
Goods: exports	115.0
Goods: imports	162.0
Balance of (i)	(ii)
Invisible exports	35.1
Invisible imports	28.1
Balance of invisibles	7.0
Balance on current account	(iii)

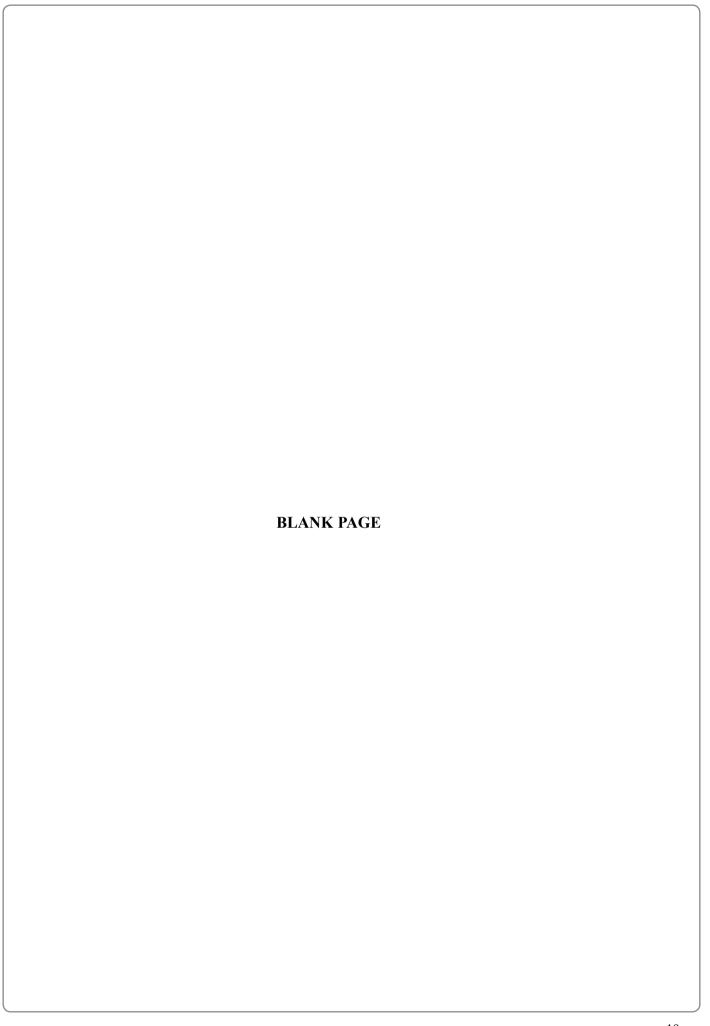
Figure	4a
riguit	<b>+</b> a

**(3)** 

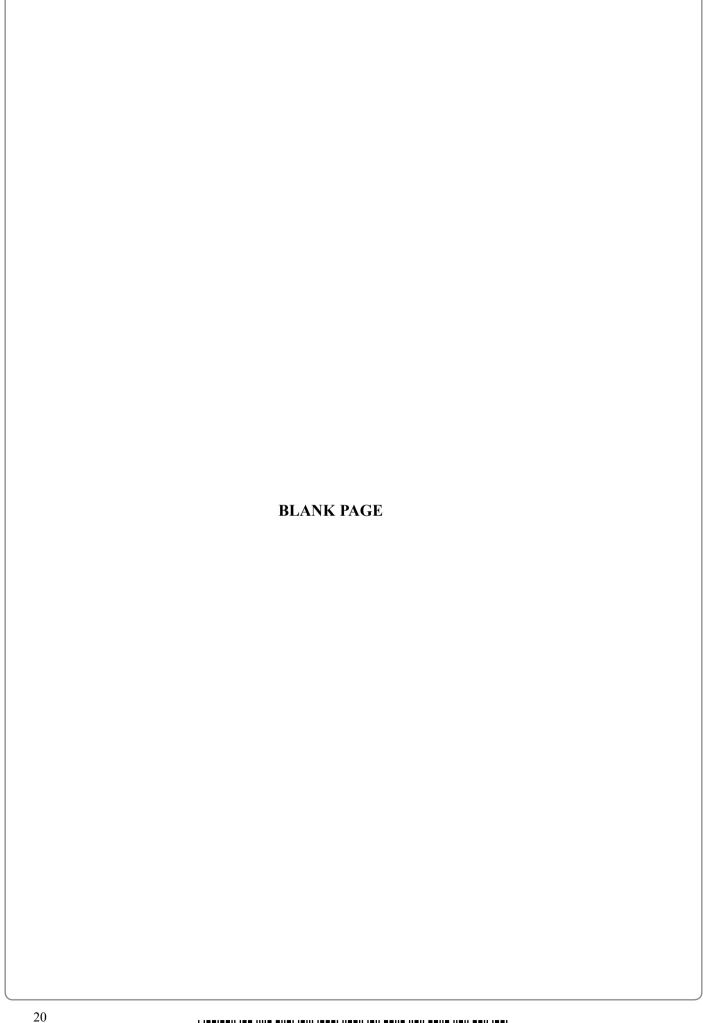
(iv) Briefly explain <b>two</b> policies the Turkish Government could i current account problems.	ntroduce to solve its
	(4)

17

	END	
	TOTAL FOR PAPER: 100 MARKS	
	(Total 25 marks)	
	(5)	
. ,	Is membership of a trading bloc always beneficial to a country? Give reasons for your answer.	
(ii)	In 2005 Turkey started negotiations for full membership of the European Union.	
	(2)	
(i)		







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