

Quick Answers

Question 1

Explain two differences between capital and labour.

Logical explanation which might include:

- Capital is a human-made resource / factor of production / machines (1) labour is a human resource / factor of production / workers / type of worker (1)
- Capital is increased by investment (1) labour is increased by e.g. rises in population (1)
- The quality of capital is improved by advances in technology (1) the quality of labour is improved by e.g. better education (1)
- Capital is paid interest (1) labour is paid wages (1). Capital can be a fixed cost (1) whereas labour can be a variable cost (1)
- Capital can be a one-off investment (1) wages are paid regularly (1)
- Labour tends to be mobile (1) capital tends to be immobile (1)
- Capital can work for 24 hours (1) workers have breaks / work for less than 24 hours (1)

Guidance:

- One mark for each of two differences identified and one mark for each explanation

Question 2

Identify two examples of land used in growing agricultural crops.

- soil
- water
- natural fertiliser
- seeds

- weather

Guidance

- Note: land on its own is insufficient, but the area of land or farmland can be rewarded

Question 3

Define a capital good.

- A human-made good (1) used to produce other goods and services (1)

Question 4

Discuss whether or not the supply of enterprise is likely to increase in the Philippines.

Up to 4 marks for why it might:

- economy is growing / rising incomes / higher consumer spending (1) so likely to earn higher profit (1)
- well-educated population (1) ability to employ skilled labour (1) attracts MNCs (1)
- greater skills (1) encourage workers to set up own businesses (1)
- population is growing (1) so more potential entrepreneurs (1) larger markets (1)
- deregulation (1) so there may be more market opportunities / less barriers to entry (1)
- the reduction of traffic congestion (i) will increase productivity of workers (1) raising opportunity to make profits (1)

Up to 4 marks for why it might not:

- some entrepreneurs may emigrate (1)
- high taxes (1) which may reduce the reward to entrepreneurs (1)

- traffic congestion (1) can increase costs of production (1) MNCs may be discouraged from entering the country / reducing the supply of foreign entrepreneurs (1)
- may not want to take the risk/stress of running own business (1) prefer to stay as employee (1)
- growth rate is falling (1) less opportunities for investment / new businesses (1)

Guidance

Apply this example to all questions with the command word DISCUSS (1(g), 1(h), 2(d), 3(d), 4(d) and 5(d))

Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.

Generic example	mark
Tax revenue may decrease...	1
...because of reason e.g. incomes may be lower.	1
Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.	0
Tax revenue may increase because of a different reason i.e. not the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.	1

Question 5

State a factor of production and identify an example of it from the extract.

- land (1) scarce land in Manhattan / New York (1)
- labour (1) finance industry workers / wages (1)
- capital (1) stock exchange (1)
- enterprise (1) new business start ups (1)

Question 6

Define wages.

- A payment (1) to a worker (1).
- Amount earned (1) by labour / employees (1).
- Reward (1) for labour (1).

Question 7

Analyse how a government could increase the supply of enterprise.

- The government could spend more on education and training (1) this will increase people's skills (1) may increase their ability to start up or run a business (1).
- The government could cut the rate of the tax on profits (1) provide grants / loans / subsidies (1) this would increase the incentive to be an entrepreneur (1).
- The government could sell off assets to the private sector / privatise (1) increasing the opportunity to be an entrepreneur (1).
- Relax immigration laws (1) immigrants may set up new businesses (1).

Question 8

Define labour.

- The human factor of production (1) mental and physical effort (1) required for production (1)

Question 9

Identify two factors of production involved in mining gold.

Any 2 from:

- Labour/miner (1) land / gold ore (1) capital/equipment (1) enterprise/owner (1)

Question 10

Identify the reward received by labour and the reward received by enterprise.

- Labour = wages (1). Enterprise = profit (1)

Question 11

Identify two examples of capital goods that may be used by a farm.

One mark each for each of two examples e.g. tractor, farm buildings.

Question 12

Discuss whether or not a country's economic growth rate depends mostly on the availability of its natural resources.

Up to 4 marks for why they might:

- Natural resources are an important factor of production (1) Countries endowed with natural resources have a good productive capacity as a result (1), boosting the growth that they can enjoy (1)
- A lack of natural resources such as water can cause poverty / ill health (1) This can harm productivity (1)
- Countries with insufficient natural resources are reliant on other countries to provide them (1) worsening the current account and reducing the economic growth rate (1) and if a country does not have enough other resources to trade it must rely upon its own natural resources (1)
- Natural resources are important in agriculture (1) countries with a lack of natural resources may not produce enough food (1) leading to poorer nutrition (1) poorer health and lower productivity (1)

- Natural resources are essential for the construction of infrastructure e.g. roads and schools (1) Other economic sectors (secondary and tertiary) depend upon natural resources (primary) (1)

Up to 4 marks for why they might not:

- Other factors of production are equally / more important e.g. capital investment or education for skills (1)
- Through trade (1) a country can obtain from other countries the natural resources it lacks (1)
- It depends upon what countries specialise in (1) and whether they face trade restrictions (1) if they can import raw materials from other countries their growth will not be limited (1)
- Finding natural resources can take a long time (1) slowing down economic growth (1)
- There are many countries in the world with significant natural resources but poor economic growth rates / standard of living (1) and many countries with limited resources but high growth rates, such as Singapore (1)