Quick Answers

Question 1

Discuss whether or not the Indonesian tourism industry will increase in the future.

Up to 4 marks for why it might:

- it is currently price competitive (1)
- if the exchange rate continues to fall (1), price of tourism for foreign visitors will fall (1)
- it has natural tourist attractions (1) may preserve forests (1)
- global economy is growing (1), incomes are rising (1) enabling foreigners to afford more holidays (1)
- people coming from abroad to work in high paid jobs may be skilled / highly motivated (1) raise quality of tourism (1)
- Indonesian government may subsidise the tourism industry (1) lowering costs of production (1)
- the industry may be promoted /advertised (1)
- air travel is falling in price (1) air travel is a complement to holidays (1)
- foreign investment may be attracted into the industry (1)

Up to 4 marks for why it might not:

- pollution may discourage visitors (1) worried about health (1)
- there are substitutes (1) Indonesia has competition from neighbouring countries (1)
- natural areas of beauty may be destroyed (1) by e.g. new palm oil plantations / natural disasters (1)
- net emigration (1) may mean there are not enough workers (1)
- Covid-19 may continue to reduce tourism (1)

Question 2

Discuss whether or not a cut in the rate of interest will increase investment.

Level - 3 (6-8 Marks)

A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes

Why it might:

- it may increase consumer spending as there will be less reward from saving, which may encourage firms to increase their output
- it will reduce the cost of borrowing to purchase capital goods
- firms may be encouraged to invest rather than save
- MNCs may be attracted into the country as investment will be cheaper

Why it might not:

- the rate of interest may still be high / may be expected to rise in the future
- firms may be pessimistic about the future
- firms may be working with spare capacity
- the cost of capital equipment may rise
- lower saving may reduce funds available for investment
- banks may be reluctant to lend

Example of a Level 2 answer:
A cut in the rate of interest will decrease the cost of taking out loans. This will enable firms to borrow more and lead to them buying more capital goods which will increase investment. The return on saving would also reduce, encouraging firms to spend their money rather than save it as the opportunity cost of spending would be lower. Lower interest rates might also mean that consumer spending is greater so firms' profits may increase enabling them to expand.

Principal Examiner comment:

This answer provides strong and relevant links, but it is clearly only one- sided so can only achieve a maximum of L2.

Question 3

Explain how the proportion of a country's resources devoted to the primary, secondary and tertiary sectors change as its economy develops.

- A smaller proportion of resources are likely to be devoted to the primary sector (1) increases in technology / productivity / education requires fewer resources / resources move to more financially rewarding uses / use of more machinery (1)
- A greater proportion of resources are devoted to manufacturing at first (1) and then a smaller proportion (1) the manufacturing sector becomes more efficient (1)
- The service sector continues to grow (1) in developed economies, most labour is employed in the service sector (1)
- Some developing countries' tertiary sector has grown faster than secondary sector – jumped a stage (1)

Question 4

Explain two causes of differences in economic development between countries.

Logical explanation which might include:

- Resources – land/labour/capital/enterprise (1) affect productive capacity of a country (1)
- Income (1) enabling people to consume more goods and services (1)
- Productivity (1) making better use of resources (1)
- Higher international trade / exports (1) results in higher output (1)
- Size of primary sector (1) larger primary sectors may mean lower incomes / hard working conditions (1)
- Saving (1) which can influence the proportion of capital goods produced/the extent to which people have a safety net (1)

- Investment (1) which may influence economic growth / make work less physically demanding (1)
- Education / literacy rates (1) which influence choices/income/health (1)
- Healthcare (1) which affects life expectancy / quality of life (1)

Guidance

- One mark for each of two causes identified and one mark for each of two explanations
- Allow reference to political instability and social unrest if linked to economic development

Question 5

Discuss the advantages and disadvantages of a city having a large tertiary sector.

Up to 3 marks for advantages:

- Generates economic growth (1) high value output (1)
- Generates jobs (1) leading to low unemployment (1)
- Tertiary sector has high productivity (1) high pay (1) which can lead to increased consumer spending (1)
- Encourages foreign investment (1) more capital spending (1) may also encourage financial investment (1)
- Less pollution (1) no need for factories which creates lots of external costs (1)
- Low transport costs (1) not having to move raw materials (1)
- Can export services (1) improve the current account of the balance of payments (1)
- More tax revenue (1) government can spend more on e.g. healthcare (1)

Up to 3 for marks for disadvantages:

- Limited job choices (1) no manufacturing/agricultural jobs (1).
- Risk of specialising (1) overdependence on other economies (1)

- Inequality (1) not all will be able to get jobs in high-paying services such as finance (1) need high qualifications to get high pay (1)
- Congestion/transport problems (1) overcrowding (1) high house prices/housing shortage (1)

Question 6

Identify, from the extract, two primary sector industries.

- agriculture
- copper mining
- emerald mining

Question 7

Define tertiary sector and give an example of an industry operating in the tertiary sector.

Services (1) e.g. banking (1).

Question 8

Discuss whether or not the standard of living is higher in developed countries than in developing countries.

Up to 5 marks for why it might be:

- Higher average income (1) enabling people to buy more goods and services (1) spend money on healthcare (1) education (1) enabling people to live longer / be more productive (1).
- Government tax revenue is likely to be higher (1) enabling the government to spend more on e.g. pensions, healthcare (1).

Up to 5 marks for why it might not be:

- Some people's living standards in developed countries are low/some people's living standards in developing countries are high (1) income is not evenly distributed (1).
- Working hours in some developed countries are high (1) leading to stress (1) less leisure time (1).
- Environmental conditions are better in some developing countries (1) with less pollution (1).

Guidance

Reward answers from the opposite perspective - developing countries have a lower standard of living than developed countries.

Question 9

Explain, using information from the extract, two reasons why someone from India with the same income as someone from Finland may enjoy a higher living standard.

- Lower prices in India (1) an Indian household may have greater purchasing power / be able to buy more goods and services (1)
- Colder weather in Finland (1) which is likely to increase people's willingness to spend / greater need to spend to keep warm (1)
- Lower tax rates in India (1) greater purchasing power / higher disposable incomes (1)

Guidance

- Opposite arguments are also correct e.g. higher tax rates in Finland, etc.

Question 10

Explain two reasons why the unemployment rate may be higher in one country than another.

- Total demand may be lower (1) higher **cyclical unemployment / recession (1).**
- Lower labour mobility (1) causing structural unemployment (1).

- Greater pace of technological advancement (1) replacing labour / causing structural unemployment (1).
- Greater voluntary unemployment (1) due to higher benefits (1).
- Labour force growing faster than economy (1) creating shortage of jobs (1).
- Lower education standards (1) means workers are less employable (1).
- Labour market restrictions (1) may make employing workers more expensive (1).

Question 11

Identify, using information from the extract, two industries that are in the primary sector of the Icelandic economy.

• farming
• fishing

Question 12

Discuss whether or not a growth in tourism is an advantage to a country such as Iceland.

Up to 4 marks for why it might be:

- Tourism is an export of services (1) bringing in foreign currency (1) improving the current account balance (1)
- Tourism may increase government tax revenue (1) this could be spent on e.g. education (1)
- Tourism increases the demand for goods and services (1) creating employment/reducing unemployment (1) e.g. in hotels/restaurants/shops (1) increases output / contributes to economic growth (1)
- Tourism may attract MNCs/foreign investment (1) e.g. foreign hotel chains may set up in the country (1)
- More revenue from tourism may result in a rise in the exchange rate (1) this may reduce the price of imports (1)

- Less reliance on primary / secondary sector (1) benefits of diversification (1)

Up to 4 marks for why it might not be:

- Tourism may create external costs (1) example e.g. pollution (1)
- Tourism may deplete resources (1) e.g. water (1)
- Tourism may place a strain on infrastructure, e.g. transport systems (1)
- Tourism jobs may be low-paid (1) low skilled (1) seasonal (1).
- Foreign firms may send profits home (1) foreign hotels may bring own employees (1)
- A high exchange rate may reduce exports / international competitiveness (1)
- Tourism may increase demand in the economy (1) pushing up the prices the local population have to pay / creating inflation (1)

Question 13

Discuss whether or not having more of its workers employed in the tertiary sector would benefit the Liberian economy.

Up to 3 marks for why it might:

- Jobs in the tertiary sector tend to be better paid (1) may raise living standards (1) working conditions tend to be better (1) e.g. less dangerous (1) demand for services tend to increase more than demand for primary products (1) imports of services may be reduced (1) exports of services may increase (1) current account position may be improved (1)
- Productivity/skills may be higher in the tertiary sector (1) which may cause economic growth (1) may make the country more developed (1)
- A larger healthcare sector could reduce the infant mortality rate / increase life expectancy (1)
- May attract MNCs/FDI (1) increasing employment (1)

Up to 3 marks for why it might not:

- The country may be better at producing primary or manufactured products (1) the country has a climate suited to agriculture (1) which may reduce economic growth (1)
- There may be an opportunity cost in terms of less resources being available in the primary and secondary sectors (1).
  Some jobs in the tertiary sector are low-paid (1) example (1) because they require fewer skills (1)
- Many tertiary industries are based in cities (1) this may lead to problems of rural-urban migration / overcrowding (1)
- Liberia's resources are more suited to producing rubber (1) which can be exported and bring in foreign exchange (1)
- Imports of manufactured/primary products may increase (1)

Question 14

Explain two reasons why a government would want to turn its country from a developing into a developed country.

- Developed countries tend to have higher GDP/output/economic growth (1) reduces poverty (1)
- Developed countries tend to have higher living standards (1) due to earning higher incomes / higher GDP per head (1)
- Developed countries may have better education (1) e.g. resulting in more skilled workers (1) so improving productivity (1)
- Developed countries tend to have better healthcare (1) resulting in longer life expectancy / lower death rate (1)
- Developed countries tend to have more economic power (1) stronger in international negotiations (1)
- Developed countries tend to have a higher proportion of workers employed in the tertiary sector (1) which may mean better working conditions (1)
- Tax revenue may be higher (1) enabling more government expenditure (1)

Question 15

Discuss whether or not developing countries benefit from producing mainly primary products.

Up to 5 marks for why they might:

- May have the resources to produce high quality (1) low cost primary products (1)
- If more can be exported (1) revenue can be used for development (1)
- Specialisation can reduce average costs (1) increasing output (1) enabling advantage to be taken of economies of scale (1)
- Demand for primary products may be increasing (1) some primary products can be sold for high prices (1) e.g. oil (1) increasing living standards (1)
- May be able to raise revenue (1) as demand for some primary products, e.g. oil, is price- inelastic (1)
- Countries may lack education (1) primary sector provides some unskilled jobs (1)

Up to 5 marks for why they might not:

- Demand for primary products does not tend to rise as rapidly as demand for manufactured products and services (1) tend to have less valued added (1)
- The production of some primary products may be adversely affected by bad weather and diseases (1) disrupting supply (1) resulting in fluctuating income (1) working conditions may be poor (1)
- Developed countries may impose trade restrictions on primary products from developing countries (1)
- The primary sector does not tend to offer many high skilled jobs (1) low pay (1) low living standards (1
- There are risks of overspecialisation (1) a more diversified economy would be in a stronger position to resist economic downturns (1)
- Developing countries will be dependent on other countries for manufactured goods and services (1)

Guidance

- Accept as an alternative to the first two points that developing countries may have the resources to produce high quality primary products at low cost, that they may not have the resources to produce high quality secondary / tertiary products at low cost