

Quick Answers

Question 1

Discuss whether or not Kenya should continue to specialise in producing flowers.

6 marks maximum for the question.

Award up to 4 marks for logical reasons why it should, which might include:

- Kenya has suitable factors of production (1) e.g. a ready supply of labour (1)
- Productivity has been increasing (1) if this continues Kenya may have a cost advantage (1)
- The country has a good reputation in producing good quality cut flowers (1) this may increase demand for its cut flowers (1)
- Cut flowers tend to be a luxury good (1) as income rises, demand may increase (1)

Award up to 4 marks for logical reasons why it should not, which might include:

- Supply is affected by weather conditions (1) this can lead to instability of income (1)
- The exchange rate could rise (1) making exports more expensive (1) which could reduce earnings from selling flowers (1)
- Competition from other countries may increase (1) reducing Kenya's share of the market (1)

Question 2

Discuss whether or not a country will benefit from specialising in an agricultural product such as sugar.

Up to 5 marks for why it might:

- It may increase efficiency/productivity (1) workers may be well trained in sugar production (1) advantage may be taken of economies of scale (1) lower cost (1)

lower price (1) exports may increase / imports may fall (1) improving the current account position (1)

- The country may have the right climate (1) to give a good crop of sugar beet/cane (1) economic growth may increase (1)
- Agriculture may be labour intensive (1) creating employment for high number of workers (1)
- The country may gain a reputation for high quality agricultural products (1) increasing demand (1)
- May benefit if demand for the product is high (1)

Up to 5 marks for why it might not:

- Demand may fall (1) due to a change in tastes (1) rise in competitors (1)
- Supply may be reduced (1) by bad weather or a disease (1)
- Demand for manufactured good and for services tend to increase more as income rises (1) larger profits tend to be earned on these products (1)
- Diseconomies of scale may set in (1) Economies of scale tend to be more significant in manufacturing (1)
- Agricultural products tend to have more trade restrictions imposed on them (1) making it more difficult to export them (1)
- Market prices of agricultural products are more variable (1) farmers face uncertainty in predicting income (1)
- The country may become dependent on other countries for other products (1)

Question 3

Explain two reasons why a firm would want to specialise in producing only one product

- a firm can specialise in what it is best at producing (1) increasing efficiency / productivity (1) achieve economies of scale (1) decrease cost of production (1) leading to higher output / higher profits (1)
- increasing global demand (1) which would raise revenue (1)

- resources are well suited to the product (1) e.g. good climate (1)
- a firm can gain a good reputation in producing the product (1) specialisation may improve the quality of the product (1) increasing demand for the product (1)

Question 4

Discuss whether or not an economy should mine and sell all of its gold now.

Up to 5 marks for why it should:

- Will create employment (1) raise output / higher economic growth (1) increase incomes (1) increase living standards (1)
- It can be exported (1) demand may be high now (1) improve trade in goods (1) improve the current account position (1)
- More tax revenue can be earned (1) enable the government to spend more on e.g. education/healthcare (1)

Up to 5 marks for why it should not:

- It will stop future generations (1) being able to benefit from its sale / reduce economic growth (1) as resources will be depleted (1) as a result of higher demand (1) e.g. due to higher income (1)
- The price of gold may rise in the future (1) now may not be the best time to sell it (1)
- The exchange rate may currently be low (1) which may reduce the revenue that the country can gain from exporting the gold (1)
- Advances in technology (1) may lower costs of extraction in the future (1)
- Gold mining may cause external costs (1) example e.g. pollution (1)
- In the long run, gold may have to be imported (1) increasing the current account position (1)
- It may lead to overspecialisation (1) potential for structural unemployment (1)

Guidance

- 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 expected.

Question 5

Explain two advantages to a country of specialisation.

- Generates economies of scale (1) enabling a country to be more internationally price competitive (1)
- Improves productivity / efficiency (1) by producing what the country is best at (1)
- Increases GDP (1) by making better use of scarce resources (1) allowing country to export more (1)
- Increases purchasing power of consumers (1) who through trade can purchase goods and services from the most efficient producers (1)