



CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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Secondary 6

Economics

08/08/24

Paper 4 Structured Questions

2 Hours

Candidates answer on the Question Paper.
No additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.

You may use a soft pencil for any diagrams.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer all questions from section **A**. Answer **ONE** question from section **B and C**.

The number of marks is given in brackets [] at the end of each question or part question.

Total marks of this paper is 60

For Teacher's Use	
Q No	Marks
1	
2	
3	
4	
5	
Total	/60

Section A

Answer all parts of Question 1

1. The impact of economic concentration

By locating closely together manufacturers can often gain economic benefits. The makers of industrial machines save on transport and communication costs when they are close to the firms that supply their raw materials and components. A group of similar manufacturers attracts a large number of workers with similar skills. Educational and training facilities in the area will develop courses and research skills that support the local industry. Similar benefits also occur in service industries, for example with the concentration of information technology in Silicon Valley and finance in New York, Hong Kong and London, where groups of accountants, merchant bankers and specialist lawyers in mergers and acquisitions all exist in close proximity.

The scope for concentration depends on the size of the market. The recent trend towards globalisation has increased the size of the available market. This has allowed some internet retailing firms to overcome competition from other countries. But the overall impact has been the delivery of a wide range of goods and services at low prices that have benefited consumers everywhere. This suggests that globalisation has not been a 'zero-sum' game.

But concentration has not always been beneficial. Silicon Valley has significant traffic congestion and many local people are priced out of the housing market. Seven of the ten most polluted cities in China are in Hebei Province, a centre for the iron and steel industry. This concentration has caused large amounts of air, water and land pollution. The competing demand for a limited number of workers has also led to wage increases.

Geographical concentration of an industry can lead to problems when demand for the product changes. This has been evident in the United States (US) where the city of Detroit has experienced unemployment rates as high as 25% (see Fig. 1.1) and a fall in its population by over 60% because of the decline in Detroit's motor industry caused by vehicle imports and the movement of production to US states where trade unions are not as strong.

Source: *The Economist*, 21 October 2017

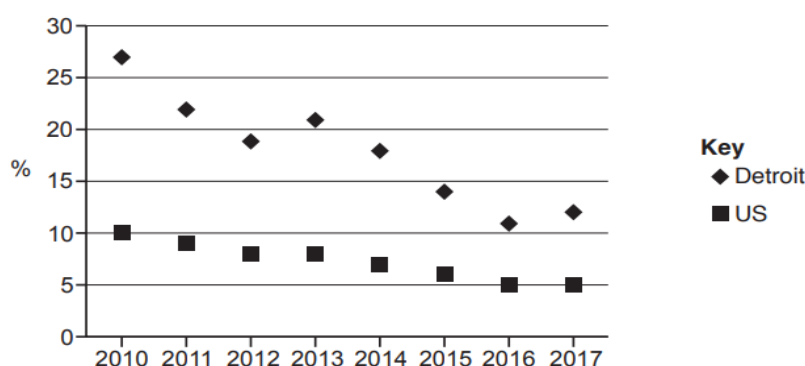


Fig. 1.1: Unemployment rates in the US and Detroit, 2010–2017

Source: US Bureau of Labor Statistics, accessed 12 May 2018

- Explain the Term Economic Benefit. [2]
- Use the information to explain how external economies of scale develop. Show, with the aid of a diagram, how this would affect a firm's average costs. [5]
- There is a fall in demand for the product of a geographically concentrated industry. Analyse the economic implications of this for the area where the industry is located. [6]
- Consider how the negative externalities from concentrated industrial production can be reduced. [7]

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Section B

Answer **one** question.

2. Monopoly firms will always aim to maximise profits and limit pricing is the only way to ensure that these profits are maintained in the long run.
Discuss the extent to which you agree with this statement. [20]

[20]

OR

3. Explain what is meant by cost benefit analysis and consider how it might be used by a government to decide whether a new hospital should be built. [20]

[20]

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Section C

Answer **one** question.

4. The use of air travel leads to market failure caused by negative externalities.

With the help of a diagram, assess the extent to which a government can intervene to correct this market failure. [20]

OR

5. Some firms in oligopoly markets choose to collude rather than engage in price competition. This will lead to higher prices and a less efficient allocation of resources.

Evaluate this statement. [20]

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