Question 2(a)

Candidate A

2a) The multiplier effect is ~~the~~ the proportionate injection of National income. Negative multiplier effect would be the proportionate amount of leakages of National income. One persons spendings is another persons savings. Negative multiplier ~~effect~~ could cause waves of job losses as as one section of the market falls, so does another (eg: suppliers struggle will result in business lacking goods so people need to retrench). Another example would be restaurant having a lack of customers, this would lead to not as many waiters/waitresses needing employed as business doesn't want to pay wages if they don't need to & will need less people to work.

Question 2(a) cont.

Candidate B

2a Negative multiplier effect is when a decreasing in spending will cause a decrease in another's income. This process circulates until a new lower level of equilibrium is reached. This will have a knock on effect and cause unemployment. A decrease in an injection/ leakage from circular flow will result in a more than proportionate decrease in national income. Formula is $\frac{1}{MPS}$

Candidate C

2a) A negative multiplier effect occurs when an initial injection into the circular flow results in a ~~x~~ reduced final increase of national income.

The size of the multiplier is determined by the size of the leakages in the circular flow. Eg, Tax, savings and imports

"One persons spending becomes another persons income."

Question 2(a) cont.

Candidate C cont.

A negative multiplier effect could be for example, job losses ~~[illegible]~~. This would then decrease agregate demand. Therefore, creating less economic growth as less output is demanded (required to be produced. This will then create more job losses as less workers are needed. This may also

have a knock on effect on suppliers as they will demand less of their raw materials.

Question 2(b)

Candidate A

b) one policy which could help those who lost their jobs would be to install more training so that those people can learn new skills and have access to alternative employment. Another policy would be to ~~increase~~ introduce back to work schemes in order help increase work incentives for a new job. Another policy could be to decrease income tax so that those who have suffered a job loss, can have motivation to get another job as they know they will have to pay less income tax. Another policy could be to

introduce education courses for those who are unemployed, so that they can gain more knowledge and will become attractive to the labour market, increasing chances of being employed elsewhere. An increase to minimum wage could give work incentives to demotivated ex Honda employees.

Question 2(b) cont.

Candidate B

2b) The government could invest in education and training. Many young people are now entering higher and further education. By investing into education and training it can encourage people to become more skillful which therefore means there will be a higher rate of employees / individuals who will have the requirements and meet the standards of higher paid and better skilled jobs. This can help the employees who lost their job, get a new one and find work elsewhere.

Another supply side policy which could be used to help those who lost their jobs at Honda. are financial incentives. The government could grant Honda with money to help them get back on their feet and invest into growth. This can mean that Honda can afford the wage costs and can give people their jobs back.

Another supply side policy which could be used is the offering of free childcare. This can allow these newly unemplayed employees find new work without having to worry about there children being looked after. This is essential as because they have become unemplayed they no longer have a flow of income and so will not be able to pay for childcare if they have children.

Question 2(b) cont.

Candidate B cont.

Deregulation could be used. This is where the government removes control ~~of~~ over part of the

private sector. This encourages competitiveness for firms which may involve lowering their prices, thus attracting consumers, creating higher revenue and meaning they are able to employ more staff.

Candidate C

b) ~~Sss~~ Supply-side Policies that could be used to assist in increasing employment ~~of~~ those loosing jobs at honda could be. ~~En~~

An increase ~~ses~~ in spending on education an training, that could allow for workers to become more skilled, productive and flexible. This would make workers appear more attractive

Question 2(b) cont.

Candidate C cont.

to firms and might allow them
to apply for jobs in other industries
due to them having newly-found
transferable skills.
~~To~~ The government could remove
unecessary red-tape an bureaucracy
to reduces firms costs, so that
they may be more inclined to
take on new employees.
Deregulation - the government can
~~reduce~~ ~~an~~ reduce the level of regulations

Question 2(b) cont.

Candidate C cont.

in industries they impose restrictions
on such as transport. To ~~atto~~ reduce
the cost of productions of firms that
may otherwise ~~won't new take on em~~
not have taken on new employers
The government can invest in
infrastructure to allow for workers
and ~~compon~~ firms (capital) to be
more geographically mobile. So
more unemployed workers can seek
out jobs they wouldn't take normally
due to something such as lack
of transportation

Question 2(c)

Candidate A

c) A possible impact of less cars being produced
in England on the UK balance of payments
would be an ~~in~~ increase of imported cars
coming to the UK and a decrease of English
cars being exported abroad, which will
worsen the Balance of Payments.

Question 2 (c) cont.

Candidate B

2c	Less cars being produced in england means they will have to import more cars from overseas to meet the demand in the uk for cars this's will worsen the balance of payments. If less cars are being produced then there is less export of cars to overseas which means less exports for uk which is bad for balance of payments. May be good for balance of payments if less raw materials are being imported to produce cars.	

Question 2(d)

Candidate A

d) There will be a reduction in demand for domestic products as the multinational controls the market.

The multinational may be exploiting a low minimum wage.

The multinational may bring low quality working conditions. This could lead to increased stress on health services.

There be a decrease in economic growth as the home country recieves the products to sell.

Candidate B

d) Multinational Cooperations may cut corners, employing unethical methods as a means of productivity.

They may repatriate their profits from the house country back to its headquarters country. Benefitting off of the host countrys resources, while not contributing largely to it output.
MNCs may outcompete local firms with superior productivity and a benefit from economics of scale.

Question 2(d) cont.

Candidate B cont.

This could ~~reduce~~ put local firms out of business and cause unemployment for domestic workers. They may also gain strong foothold in a market, reducing competition and becoming a monopoly, where they set unfair prices to consumers who now have a lack of choice.

MNCs may exhaust all the finite raw materials in a country, then leave, resulting in a huge loss for home country as they may loose their presence in global markets.

MNCs may cause pollution or environmental damage to a country by producing regardless of carbon footprint ~~and~~ due to lack of responsibility.

MNCs may benefit off of cheap "slave labour" providing unsubstantial wages to their host countrys employees

Candidate C

2d A host country for a multinational could have lower standards of living if the MNC primarily employs low-skilled workers in low-income jobs, while leaving higher paying jobs such as upper management in its home country. The competition for domestic firms will be higher so they may have to cut costs, which could involve firing workers, or accept lower profits. If the MNC repatriates most or all of the profit it earns within the host country, this could worsen the Balance of Payments, increasing the deficit. The domestic firms will also have to compete with the MNCs in the market for labour, and so they may find it harder to attract workers or even keep existing employees, potentially leading to the firm employing less efficient workers and so being less productive and earning less profit. If the host country's government is providing financial incentives for the MNC to stay there, such as special subsidies, there is an opportunity cost to not spending this money in other ways, such as in subsidies to domestic firms.

Question 2(e)

Candidate A

e) Quota

A limited quantity of a particular product being imported or exported overseas.

Subsidy

Money given to discourage the amount of imports and exports being transferred.

Soft loans

Low interest or no interest rate loans usually given to help developing countries

Candidate B

2e Quota restrictions involves limiting the quantity of a good that can be imported this protects domestic firms. Embargoes are complete bans on goods from a certain country or of a certain good. Favouring home producers when it comes to government contracts or offering subsidies to local producers to allow them to compete. strict health and safety restrictions to increase cost of production for overseas firms allowing UK firms to compete

Question 2(e) cont.

Candidate C

e) - Quota - a quota is a limit placed on the number of goods that can be imported, this means firms in the UK cannot be totally out-competed by ~~firm~~ foreign firms with cheaper prices.

- Embargo - this a ban placed on a country from trading with the UK, it could be on selected goods on all goods from that particular country, for example there was an Embargo with South Africa for political reasons during the apartheid.

- ~~Subsidies - this is when the government grants other countries a loan in order to buy their imports.~~

- Soft loan - this is when the government grants loans to foreign countries in order for them to purchase imports from the UK.

- Subsidies - this is when the government grants loans to firms in the UK in order for them to lower their costs of production so they can increase their output and export more.