

Question 2(a)

Candidate A

2a) The multiplier effect is the the proportional injection of National income. Negative multiplier effect would be the proportional amount of leakages of National income. One persons spending is another persons savings. [Negative multiplier would cause losses of job losses as as one sector of the market falls, so does another] (eg: supplier struggle will result in business lacking goods so people need to rethink). [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.]	
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Q2(a) cont.

Candidate B

2a	<p>[Negative multiplier effect is when a decrease in spending will cause a decrease in national 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 $\frac{1}{mps}$] MAX</p>	
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Max 2/2

Candidate C

2a)	<p>A negative multiplier effect occurs when an initial injection ^{into the circular flow} results in a an reduced and increase of national income.</p>	
	<p>The size of the multiplier is determined by the size of the leakages in the circular flow. Eg, Tax, savings and imports</p>	
	<p>" One person's spending becomes another person's income "</p>	

Q2(a) cont.

Candidate C cont.

[A negative multiplier effect could be for	
example, job losses increase . This would	
then decrease aggregate 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.]	

2/2

Question 2(b)

Candidate A

<p>d)</p>	<p>one policy which could help those who lost their jobs would be to install more training ^{ID} so that those people can learn new skills and have access to alternative employment. ^{EXP}]</p> <p>Another policy would be to ^{introduce back to} increase 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</p>	
<p>[</p>	<p>^{ID} introduce education courses for those who are unemployed, so that they can gain more knowledge and will become attractive to the labour ^{EXP} market.] increasing chances of being employed elsewhere. An increase to minimum wage could give work incentives to demotivated ex Honda employees.</p>	


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 skilful 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 jobs, 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 ~~is to provide~~ .
 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 .

	<p>Another supply side policy which could be used is the offering of free childcare. This can allow these newly unemployed employees find new work without having to worry about their children being looked after. This is essential as because they have become unemployed they no longer have a no longer have a flow of income and so will not be able to pay for childcare if they have children.</p>	
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Question 2(b) cont.

Candidate B cont.

[Deregulation could be used. This is where the	
government removes control at 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 ^{EXP} staff.]	

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Candidate C


b) and Supply-side Policies that could	
be used to assist in increasing	
employment of these losing jobs at	
honda could be, an	
[An increase is in spending on	
education and ^{ID} training, that could	
allow for workers to become more	
skilled, productive ^{EXP} 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.] **DEV**

~~to~~ [The government could remove
unnecessary red-tape^{ID} or bureaucracy
to reduce firms costs, so that
they may be more inclined to
take on ^{new} employees.] **EXP**

 Deregulation - the government can
~~reduce~~ reduce the level of regulations

Question 2(b) cont.

Candidate C cont.

}	in industries they impose restrictions	
	on such as ^{REP} transport. To also reduce	
	the cost of production ^s of firms that	
	may otherwise want take on em	
	not have taken on new employees	
	[The government can invest in	
	infrastructure ^{ID} to allow for workers	
	and company firms (capital) to be	
	more geographically ^{EXP} mobile.] So	
	more unemployed workers can seek	
out jobs they wouldn't take normally		
due to something such as lack		
of transportation		

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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 the increase of imported cars coming to the UK and a decrease of English cars being exported abroad,] which [will worsen the balance of payments.]	
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2/2

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 will worsen the	
	balance of payments.] If less cars are	
	being produced then there is less export	
	of cars to overseas which means less	FLIP
	exports for UK which is bad for balance	FLIP
	of payments. May be good for balance of	
	payments if less raw materials are being	
	imported to produce cars.	

2/2

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 receives the products to	
	sell.	

0/4

Candidate B

d)	Multinational Cooperations may cut corners, employing unethical methods as a means of productivity,	
	[They may repatriate their profits from the host country back to its headquarters country.]	
	Benefitting off of the host country's resources, while not contributing largely to its output.	
	[MNCs may outcompete local firms with superior productivity and a benefit from economies of scale.]	

Question 2(d) cont.

Candidate B cont.

<p>[This could reduce put local firms out of business and cause unemployment for domestic workers.]</p>	<p>^{DEV} 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.]</p>	
<p>[MNCs may exhaust all the finite raw materials in a country, then leave, resulting in a huge loss for</p>	<p>^{MAX} home country] as they may lose their presence in global markets.</p>	
<p>[MNCs may cause pollution or environmental damage to a country by producing regardless of carbon footprint and due to lack of responsibility.]</p>	<p>^{MAX}</p>	
<p>MNCs may benefit off of cheap "slave labour" providing unsubstantial wages to their host country employees</p>		

Max 4/4

Candidate C

2d	<p>[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.]</p>	
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Max 4/4

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	

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Candidate B

ze [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.]	
MAX	

3/3

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 ~~from~~ Foreign firms with cheaper prices.
- [Embargo - this is a ban placed on a country from trading with the UK, it could be on selected goods or 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 exports.~~
- 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.

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