Question 17 (Answer: **D**)

- Tariffs are imposed to protect domestic industry, raise revenue and improve the current account.
- So boosting domestic output and influencing the balance of payments are both real reasons.
- What a tariff does *not* do is lower prices for consumers – it raises them.

Question 30 (Answer: **A**)

- Reducing a current account deficit means cutting imports or raising exports.
- Subsidising exports makes them cheaper abroad, so export volumes rise.
- Tariffs or quotas would reduce imports, achieving the same end from the other side.

5(a)	**Identify <u>two</u> motives for a firm dumping some of its products in a foreign market.** • Drive domestic firms out of the market / increase market share / gain monopoly power in (overseas) market (1). • Clear away surplus stock (1) keep price high on the domestic market (1) increase exports / sales / revenue (1).

5(b)	**Explain <u>two</u> differences between monetary policy and supply-side policy.** Logical explanation which might include the following. • Monetary policy is usually implemented by the central bank (1) supply-side policy by the government (1). • Monetary policy may be used to increase or reduce economic activity (1) supply-side policy is only used to increase economic activity (1). • They have different policy measures (1) e.g. monetary policy has the rate of interest whereas supply side policy has privatisation (1). • Monetary policy aims to influence total demand (1) supply-side policy aims to increase total supply (1). • Supply side policies tend to take longer to implement and have an impact (1) than monetary policy which tends to have a more short -term impact (1).
5(c)	**Analyse how a government subsidy could help to protect an infant industry against foreign competition.** Coherent analysis which might include: An infant industry's costs may initially be high (1) government subsidy is an extra payment to an industry (1) some of the subsidy could be used to buy more capital goods / technological innovation (1) employ skilled workers (1) enable an infant industry to grow in size / increase output (1) obtain economies of scale (1) lower (average) cost / improve productivity (1) lower their prices (1) making their products more (internationally) competitive (1) increase demand for their goods (1) increase exports (1) raise quality (1) increase quality competitiveness (1).

5(d)	**Discuss whether or not cuts in taxes will reduce a deficit on the current account of a country's balance of payments.** In assessing each answer, use the table opposite. Why it might: • cut in corporation (corporate income) tax may increase willingness and ability to invest • higher investment may raise quality and reduce costs • increase exports and lower imports • cut in personal income tax may increase workers' motivation, raise productivity and cut costs • lower corporation (corporate income) tax could be imposed on infant industries • attract MNCs which can increase exports and reduce imports • cuts in indirect taxes may lead to lower prices which may increase the demand for domestic goods and reduce the demand for imported substitutes • cuts in tariffs may make it easier for firms to import cheaper raw materials from abroad which may enable them to reduce prices increasing export competitiveness. Why it might not: • cut in personal income tax may increase spending which may increase total demand leading to inflation reducing international competitiveness • more imports may be purchased • exports may be diverted to the home market • reduce tax revenue and lower government spending • lower government spending on education, healthcare, transport could reduce productivity • lower taxes on imports (tariffs) may increase imports.

5(d)	

IGCSE Economics: **s25 11**

Question 28 (Answer: **D**)

- Dumping means selling exports abroad below cost, or below the home-market price.
- The aim is to capture the market and drive out domestic competitors.
- It has nothing to do with waste, despite the everyday meaning of the word.

IGCSE Economics: **s25 13**

Question 28 (Answer: **B**)

- A higher tariff raises the price of imported steel.
- Demand is price *inelastic*, so the quantity imported falls only slightly.
- So spending on imports rises, and the government collects more tariff revenue.

IGCSE Economics: **w24 11**

Question 28 (Answer: **B**)

- Benefits of an MNC include jobs, technology, tax revenue and exports.
- The costs include profits leaving the country, environmental damage and local firms being driven out.
- So the *cost* is whatever takes value out of the host economy.

IGCSE Economics: **w24 12**

Question 28 (Answer: **A**)

- Dumping means selling exports below cost to capture a market.
- The direct remedy is to raise the price of that specific import back to a fair level.
- An anti-dumping tariff does exactly that, targeted at the one good concerned.

IGCSE Economics: **w24 13**

Question 28 (Answer: **B**)

- A quota sets a physical *limit* on the quantity imported.
- So it guarantees the maximum number, which is what the government wants here.
- A tariff only raises the price – it cannot guarantee any particular number.

4(d)	**Discuss whether or not high tariffs can reduce unemployment.** In assessing each answer, use the table opposite. Why it might: • high tariffs lead to increase price of imports reducing the demand for imports • high tariffs make consumers choose domestic products instead which increases demand for domestic workers • high tariffs provide government with extra revenue which could be used to subsidise domestic firms / domestic employment • high tariffs can be a major source of tax revenue. Some of this could be spent on e.g. education and training which will increase workers' skills and mobility, and so reduce unemployment. Why it might not: • high tariffs lead to retaliation which leads to decrease in demand for exports and therefore decrease demand for domestic workers • high tariffs still not enough to offset lower cost of imports • domestic production may not be able to increase due to full employment / lack of natural resources • higher prices of imported raw materials could increase costs of production, so reducing profits and lowering output • domestic prices may rise as domestic firms become complacent as they are protected.	**8**	**Level** / **Description** 3 – 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.

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