Skoolumy

CAMBRIDGE A LEVEL ECONOMICS TOPICAL ESSAY QUESTIONS

FACTORS OF PRODUCTION AND DIVISION OF LABOUR

PAST QUESTIONS

1. The Lagos economy is working

Nigeria discovered oil 50 years ago and is now the world's sixth biggest oil exporter. The recent increase in global oil prices has had a very large positive effect on the country's balance of trade and has also improved the country's terms of trade.

Lagos is the largest city in Nigeria, with a population of over 20 million, and has undergone a successful economic transformation in recent years. It has used the private sector to become the most productive and dynamic part of Nigeria's economy. The owner of one of Nigeria's largest companies has stressed the enormous economic progress that the country has made in recent years: "I'm a great believer in Nigeria because the opportunities here are enormous." His company's success shows what private enterprise can achieve in a mixed economy especially if it is provided with the right incentives by the government.

Most Nigerian entrepreneurs are operating in Lagos and entrepreneurship has certainly played a key role in the modern Lagos economy. Start-up initiatives have been encouraged and the need to be innovative has been increasingly recognised, leading to the development of new goods, services and markets. The city is the centre of thriving music, fashion, film and technology industries that have significant influence throughout Africa.

A 'free trade zone' on the edge of Lagos has been established where private sector firms pay no business taxes to the government and there are now numerous start-up enterprises that are thriving. The government aims to lower costs, reduce bureaucracy and make the economy more flexible and efficient with the hope of boosting trade. The zone is located next to a deep sea port and has good road connections with both the rest of Nigeria and other countries in the region.

Lagos is an important transport hub, with three major ports and West Africa's most important international airport. In 2016 the output of Lagos was valued at US$136 billion while Nigeria's total national output was valued at US$405 billion.

A former governor of the Nigerian central bank, has stated: "Since 2000, Lagos has been transformed. In terms of an improved infrastructure and a supportive economic environment, the government has given firms a greater opportunity to thrive."

Source: Adapted from The Financial Times, 26 March 2018

Explain the contribution of the factor enterprise to the successful economic transformation of Lagos. [4]

2. (a) Explain how the contribution of each factor of production differs in an agricultural economy from that in an industrialised economy. [8]

(b) Discuss whether entrepreneurs or governments are more likely to cause economic growth in a mixed economy. [12]

3. Outline the functions of the factor enterprise in a modern economy, and explain how enterprise responds to a rise in the demand for a good. [8]

4. Explain how division of labour can affect labour productivity. [8]

5. Explain the contributions of enterprise and division of labour to an economy. [8]

***6.** (a) Explain what determines the size of a country's labour force. [8]*

(b) Discuss whether a widespread shortage of labour might be a major cause of inflation. [12]

MARK SCHEME

Table A: AO1 Knowledge and understanding and AO2 Analysis

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	No creditable response.	0

Table B: AO3 Evaluation

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

1. Candidates could stress the importance of:

• the majority of Nigerian entrepreneurs are operating in Lagos

• entrepreneurship has certainly played a key role in the modern Lagos economy; the encouragement of start-up initiatives can be stressed

• the need to be innovative has been increasingly recognised; the development of new goods, services and markets can be stressed

• Lagos is the centre of thriving music, fashion, film and technology industries that have significant influence throughout Africa

4 marks maximum (a max of 2 marks for an explanation of the factor enterprise and a max of 2 marks for link to the successful economic transformation of Lagos)

2. (a) For knowledge and understanding of the contribution of each factor of production in the production process. (up to 4 marks)

For application showing the how the different factors of production might contribute to the different types of economies described. (up to 4 marks)

(b) In a mixed economy it is expected that both entrepreneurs and the government would contribute to economic growth. Entrepreneurs would respond to consumer wants by investing in capital goods and expanding production in pursuit of profit. Governments would invest in public goods and merit goods to ensure that these goods are sufficiently provided. Which contributes most depends upon a wide range of factors including the availability of funds for private investment, the number of entrepreneurs with the necessary skills and government budgets.

For analysis of the ways in which both entrepreneurs and the government can generate economic growth (up to 2 marks can be given for an understanding of what is meant by a mixed economy). (up to 8 marks)

For evaluation of the 'more likely' issue. (up to 4 marks)

3. For knowledge and understanding of the functions of enterprise.

For the organisation function [up to 3 marks]

For risk taking [Up to 3 marks] [4 marks maximum]

For application showing how enterprise responds to an increase in demand and the consequent rise in price. [up to 4 marks]

4. Productivity is output per worker. Division of labour involves sub-dividing working processes and concentration on one aspect to raise efficiency. Workers can undertake tasks which match their natural abilities, can become more adept through practice, waste less time through reduced movement and make greater use of machinery which itself is more effective. Lack of division of labour may hold back productivity growth. However, division of labour may create problems which may reduce productivity or limit its growth e.g. boredom.

For understanding of productivity (1) and division of labour (1)   2 marks

For explanation of the effects on labour productivity   6 marks

5. Enterprise is the risk-taking, organising factor of production; D of L is the specialization of economic activity by product or process. Enterprise organises the other factors to promote output, efficiency and change while D of L reduces cost, raises productivity and living standards.

Meaning and nature of enterprise and D of L (4)

Explanation of contribution to economy (4)

6. (a) The labour force is the part of the population employed or available for work. It includes the unemployed. Its level is influenced by total population (birth rate, death rate, migration), age distribution, school leaving age, retirement age, attitudes towards women working, higher education opportunities, post retirement employment, part time opportunities, etc.

Understanding of the labour force up to 2 marks

Explanation of the influences on the labour force up to 6 marks

(b) Inflation is a sustained rise in the general price level and is caused by cost push, demand pull and monetary influences. A shortage of workers might mean rising wages, which would push up costs over a large number of industries and generate more spending power. Both could contribute to inflation. The impact will be less where there is the ability to use machinery or migrant labour. However, other factors such as money supply increases, raw material price rises, increases in aggregate demand, overheating in the economy etc might be more important.

Understanding of inflation and its types up to 4 marks

Analysis of the inflationary effect of labour shortage up to 6 marks max

Discussion of limits to its impact on inflation up to 6 marks 10