

Paper Reference(s)

**4350/03**

# **London Examinations IGCSE**

## **Economics**

**Paper 3 – Sources Booklet  
Common to both tiers**

**For distribution to candidates from  
Thursday 27 March 2008,  
six weeks before the examination on  
Thursday 8 May 2008 – Afternoon**

**Materials required for examination**

Nil

**Items included with question papers**

Nil

### **Instructions to Candidates**

The sources in this booklet will be printed at the end of the examination paper.

You will have 10 minutes at the start of the examination to read the questions and think about how to use the sources to answer them. You will not be allowed to take your own copy of the sources or any notes you have made into the examination.

### **Information for Candidates**

There are 4 pages in this booklet. Any blank pages are indicated.

### **Advice to Candidates**

The following advice will also be printed in the examination paper.

You should use economic concepts and terms.

You should use diagrams, graphs or tables if appropriate.

You should refer to the sources in your answers, but do not spend time copying large amounts from the sources.

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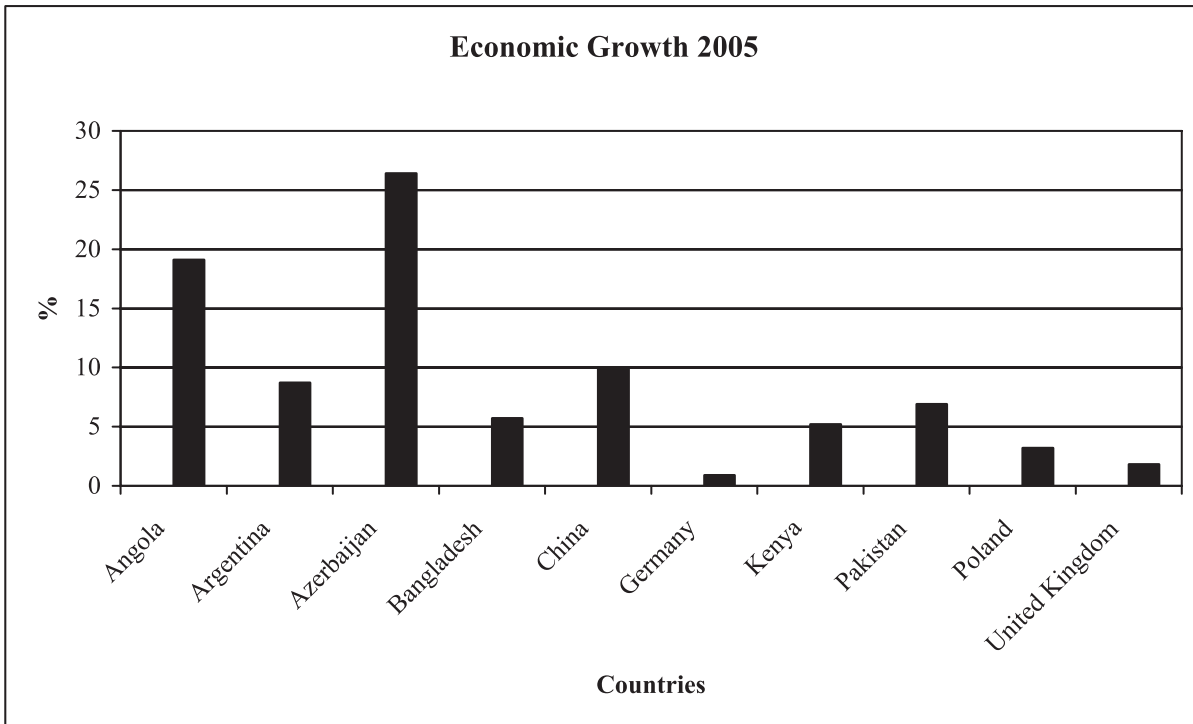
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## SOURCES

### Source A



www.nationmaster.com

### Source B

#### Bangladesh Economic Growth

Despite sustained domestic and international efforts to improve economic and demographic prospects, Bangladesh remains a poor and overpopulated nation. Although half of GDP is generated through the service sector, nearly two-thirds of Bangladeshis are employed in the agriculture sector, with rice as the single-most-important product.

Major impediments to growth include frequent cyclones and floods, inefficient state-owned enterprises, inadequate port facilities, a rapidly growing labour force that cannot be absorbed by agriculture, delays in exploiting energy resources (natural gas), insufficient power supplies, and slow implementation of economic reforms. Reform is blocked in many instances by political infighting and opposition from the bureaucracy and public sector unions. One encouraging note: growth has been a steady 5% for the past several years.

Source: adapted from 2006 CIA WORLD FACTBOOK

### Source C

#### **Environment and Economic Growth**

The World Wide Fund for Nature has claimed that strong economic growth can adversely affect the environment, causing climate change and over-use of finite resources.

In many countries deforestation has accompanied economic growth. Once the trees go the soil becomes infertile in one or two years, making it poor for farming. Changes in humidity in deforested areas are creating less rainfall and having knock-on effects on more temperate climates to the North and South. Rainfall is becoming more unpredictable. Growing crops for export can also have negative effects on the local environment, such as soil erosion.

Some people argue that instead of investing for economic growth there should be investment in saving the environment.

Adapted from [www.wwf.org.uk](http://www.wwf.org.uk) 6/9/06

### Source D

#### **UK Economic Growth**

The Bank of England used to believe in investment-led growth. Business investment rose by only 0.3% last year. Investment by manufacturing companies fell by 8.3%. In the distribution sector, which includes retailing, investment slumped by 19.6%. This helps to explain the UK's poor productivity, which has fallen relative to the other G7 countries since 2003. The Bank, therefore, has switched its hope for economic growth back to the tried and tested method of consumer-led recovery.

Business investment today is internationally mobile. Some Economists have suggested that falling UK investment may be partly due to the impact of increasing regulation and the need to fund the company pensions of an ageing population. Factors such as low taxes, low labour costs and less regulation are now thought to be more important in investment decisions.

Adapted from [www.telegraph.co.uk](http://www.telegraph.co.uk) 24 February 2006

## Source E

### Trade and Economic Growth

The Secretary General of the OECD has estimated the following gains from trade liberalisation:

- \$100 billion from removing tariffs on industrial and agricultural goods
- \$500 billion from liberalising trade in services
- \$100 billion from clearing away procedural barriers.

Of this \$700 billion, developing countries could gain up to \$450 billion.

He claimed that trade has been a powerful engine of growth in the past 50 years, helping to lift millions out of poverty. Trade liberalisation, however, causes short-term pain, as some countries and workers face big costs and unemployment. Support to overcome short-term pain is needed if everyone is to benefit from globalisation and free trade.

Adapted from [www.oecd.org](http://www.oecd.org) 21 August 2006

## Source F

### Some Benefits and Costs of Economic Growth

Benefits include:

- Creates new jobs
- Higher standard of living resulting from higher real incomes
- Increased investment available for hospitals, schools, roads etc.
- More tax revenue for governments
- Rising profits of companies can lead to more investment in business
- Rising wealth may reduce poverty

Costs include:

- Environmental damage caused by pollution
- Growth may lead to rising inequality in society
- Over-exploitation of scarce resources
- Risk of demand-pull inflation
- Unemployment of workers in 'old industries'