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0455-IGCSE ECONOMICS

FACTORS OF PRODUCTION AND EXPORT

DISCUSS: WHETHER AN INCREASE IN A COUNTRY'S FACTORS OF PRODUCTION **WILL ALWAYS** INCREASE ITS

Discussion in favour of:

- It will raise the productivity and may lower the cost of production and will lower the price of exports. The exports will become more price competitive and will increase the demand of exports.
- Supply of goods and services for exports could increase due to higher productivity of factors causing prices to fall and raising the demand for exports.
- It may raise the quality of exports and may make the exports more quality competitive and may increase the demand for exports.

Discussion for why it might not:

- Quality of other country's factors of production may rise by more so price competitiveness of exports may fall, quality competitiveness of exports may fall, thus the demand for exports may fall
 - Payments to factors of production may rise by more than quality, higher factor payments may be needed to increase export quality. This will raise price, pushing up price and reducing demand.
 - Exchange rates may rise, pushing up the price of exports, making them less competitive and reducing demand for exports.
It depends upon the type of product being exported; example a staple food such as rice might be less affected while a luxury good could be greatly affected.
 - Income abroad may fall thus reducing foreigners ability to buy exports.
 - Output may be mainly for domestic consumption and so not available for export markets.
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