

Cambridge IGCSE™

ECONOMICS**0455/22**

Paper 2 Structured Questions

February/March 2024

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the February/March 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **25** printed pages.

PUBLISHED**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

PUBLISHED**Social Science-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require n reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

PREPARATION FOR MARKING

- 1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
- 2 Make sure that you have read and understand the question paper, which you can download from <https://support.rm.com/ca>
- 3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

- 1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
- 2 If you are in doubt about applying the mark scheme, consult your Team Leader.
- 3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
- 4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS**Crossed out work**

- 1 **All a candidate's answers, *crossed out* or not, *optional* or not, must be marked.**
- 2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
- 3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.






0 (zero) marks or NR (no response)

- 1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
- 2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
- 3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
- 4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

- 1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
- 2 **Every mark awarded for a question (as shown in the mark input box to the right of the screen) must be indicated by a correctly positioned tick on the script. The number in the box below the tick annotation must be equal to the mark awarded in the input box.**
- 3 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

PUBLISHEDCommon examiner annotations on 0455

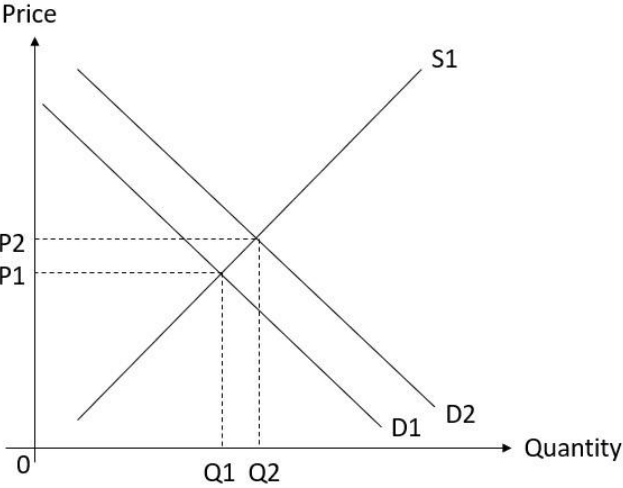
| | | | | |
|---|---|--|---|--|
|  | Uncertain what the candidate means – an illogical line of thought | | MAX | MAX |
| BOD | Benefit of the doubt | | NAQ | Not answered question |
| BP | Blank page | | NE | Not established – a statement made without any support |
|  | Caret – a word is missing. | | REP | Repetition |
| CON | Confused | | SEEN | SEEN |
|  | Cross | |  | Tick – a credit worthy point |
|  | Highlight | | TV | Too vague |
| L | Nothing creditworthy | | | |
| L1 | Level 1 | | | |
| L2 | Level 2 | | | |
| L3 | Level 3 | | | |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|---|
| 1(a) | <p>Calculate the average wage paid in Denmark.</p> <p>\$84 000 (1).</p> | 1 | Accept 84 000. |
| 1(b) | <p>Identify <u>two</u> opportunity costs of a Danish person using their leisure time to cycle.</p> <p>Playing golf (1) jogging (1).</p> | 2 | |
| 1(c) | <p>Explain <u>one</u> way that living standards are measured in Denmark.</p> <p>Identification HDI / average wages / income / GDP per head leisure hours (1).</p> <p>Explanation HDI includes GDP per head / income / education / health/life expectancy / average wages / income / GDP per head influences the goods and services which can be purchased / leisure hours may affect physical / mental health (1).</p> | 2 | <p>One mark for a way identified and one mark for an explanation.</p> <p>Do not accept GDP.</p> |
| 1(d) | <p>Explain <u>two</u> reasons why the supply of ships is price-inelastic.</p> <p>Logical explanation which might include: They take a long time to produce (1) so supply cannot be adjusted quickly (1). They are expensive to store (1) take up a large space / likely to be few or no spare ships to sell / low inventories / difficult to keep for future sales / if prices fall will have to sell ships as nowhere to store them (1).</p> | 4 | <p>One mark each for each of two reasons identified and one mark for each of two explanations.</p> <p>Ignore comments on PED.</p> |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|--|
| 1(e) | <p>Analyse the relationship between government spending and GDP in Denmark.</p> <p>Coherent analysis which might include:</p> <p>Expected relationship: Higher government spending would be expected to be associated with a higher GDP / move in the same direction / Government spending will always be lower than GDP (1) positive relationship / direct relationship (1).</p> <p>Supporting evidence up to 2 marks: 2015 – 2018 government spending and GDP rose / (1) 2019 – 2021 government spending and GDP rose (1). Government spending and GDP rose over the period / government spending and GDP was lowest at the start of the period / 2015 and was highest at the end of the period 2021 (1).</p> <p>Analysis of expected relationship up to 2 marks: Higher government spending will increase total (aggregate) demand which will add to GDP (1) may be higher government spending on education/training/healthcare/subsidies which can raise productivity and output (1) higher GDP may increase tax revenue which can be used to increase government spending (1).</p> <p>Exception: 2018 – 2019 / 2018 / 2019 (1) government spending rose but GDP fell (1).</p> <p>Analysis of exception: A government may spend more when GDP falls in a bid to stimulate an increase in GDP (1).</p> | 4 | Responses do not have to be in the format suggested but they should address the expected/normal relationship, offer supporting evidence of that, highlight any exceptions to that, and analyse the overall data. |

| Question | Answer | Marks | Guidance |
|----------|--|-------|---|
| 1(f) | <p>Analyse, using a demand and supply diagram, how an increase in the birth rate would affect the market for toys.</p> <p>Coherent analysis which might include:</p> <p>D&S diagram up to 4 marks: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New demand curve shifted to the right (1). Equilibriums – shown by lines P₁ and Q₁ and P₂ and Q₂ or equilibrium points marked as E₁ and E₂ (1).</p> <p>Written analysis up to 1 mark: An increase in the birth rate would increase the number of children who parents may buy toys for / more consumers / higher demand (1) the higher demand will raise price / increase quantity (traded) (1).</p> | 5 |  |

| Question | Answer | Marks | Guidance | | | | | | | | | | |
|--|---|-------|--|-----------------|------|-----------------------------|---|---|---|---|---|--|---|
| 1(g) | <p>Discuss whether or not a surplus on the current account of its balance of payments would benefit the Danish economy.</p> <p>Award up to 4 marks for logical reasons why it might, which may include:</p> <ul style="list-style-type: none"> • exports exceed imports / credit items have a higher value than debit items (1) and so adds to total (aggregate) demand (1) which may increase GDP (1) • it can increase employment (1) which may increase incomes (1) • may attract foreign investment (1) as may be taken to be a sign of a strong economy (1) • may raise the exchange rate (1) which can enable exports to exchange for more imports (1). <p>Award up to 4 marks for logical reasons why it might not, which may include:</p> <ul style="list-style-type: none"> • it means more products are produced than consumed / reduces availability of products / reduces consumer choice (1) reduce potential living standards (1) may contribute to resource depletion (1) • it may add to inflationary pressure (1) especially if the economy is close to full employment (1). • demand for the currency will exceed the supply of the currency (1) this may raise the exchange rate (1) make exports less internationally competitive (1) which can reduce the surplus / cause a deficit in the long run (1). | 6 | <p>Apply this example to all questions with the command word DISCUSS (1g, 1h, 2d, 3d, 4d and 5d)</p> <p>Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.</p> <table border="1" data-bbox="1272 488 2047 1018"> <thead> <tr> <th data-bbox="1272 488 1935 555">Generic example</th> <th data-bbox="1935 488 2047 555">Mark</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 555 1935 619">Tax revenue may decrease...</td> <td data-bbox="1935 555 2047 619">1</td> </tr> <tr> <td data-bbox="1272 619 1935 683">...because of reason e.g. incomes may be lower.</td> <td data-bbox="1935 619 2047 683">1</td> </tr> <tr> <td data-bbox="1272 683 1935 817">Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td> <td data-bbox="1935 683 2047 817">0</td> </tr> <tr> <td data-bbox="1272 817 1935 1018">Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.</td> <td data-bbox="1935 817 2047 1018">1</td> </tr> </tbody> </table> | Generic example | Mark | Tax revenue may decrease... | 1 | ...because of reason e.g. incomes may be lower. | 1 | Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument. | 0 | Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education. | 1 |
| Generic example | Mark | | | | | | | | | | | | |
| Tax revenue may decrease... | 1 | | | | | | | | | | | | |
| ...because of reason e.g. incomes may be lower. | 1 | | | | | | | | | | | | |
| Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument. | 0 | | | | | | | | | | | | |
| Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education. | 1 | | | | | | | | | | | | |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|---|
| 1(h) | <p>Discuss whether or not more people working from home will benefit an economy.</p> <p>Award up to 4 marks for logical reasons why it might, which may include:</p> <ul style="list-style-type: none"> • may raise productivity / efficiency / quality of output (1) as workers may be less tired / less stressed / saves transport costs as a result of not having to travel to work (1) may work longer hours (1) increase GDP (1) • may increase the quantity of labour (1) more people e.g. those with dependents may be able to work / more flexible hours (1) as save time travelling (1) • workers may be happier (1) and so may stay with firms longer (1) which would reduce the cost of recruiting workers (1) • pollution may be reduced (1) traffic congestion may be reduced (1) less need for transport infrastructure (1) reduce external costs (1) improve health (1) • firms' costs may fall (1) as less need for office space (1) • may reduce conflict between workers (1) may reduce chances of industrial action (1). <p>Award up to 4 marks for logical reasons why it might not, which may include:</p> <ul style="list-style-type: none"> • transport firms may experience a fall in demand / revenue / less people travelling (1) which may create unemployment of e.g. bus drivers (1) • restaurants/cafes may have to close down in city centres (1) which may create unemployment of e.g. waiters (1) reduce tax revenue (1) | 6 | <p>Note 1 mark for recognising productivity may change. So, if a candidate writes productivity may increase and may decrease, award 1 mark. Two further marks could be gained if a candidate explains why productivity may increase and why it may decrease.</p> <p>Note: 1 mark for productivity increase or decrease and 1 mark for GDP increase or decrease.</p> |

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| Question | Answer | Marks | Guidance |
|----------|---|-------|----------|
| 1(h) | <ul style="list-style-type: none"> may reduce productivity / efficiency/ quality of output (1) reduce GDP (1) as workers may be distracted by e.g. small children / become lazy / may work fewer hours / may have poor internet connection (1) may not be supervised (1) may not co-ordinate with other workers / communication problems (1). | | |

| Question | Answer | Marks | Guidance |
|----------|---|----------|----------|
| 2(a) | <p>Identify <u>two</u> benefits people may gain from a good education.</p> <p>Two from:</p> <ul style="list-style-type: none"> high income / high living standards / less risk of poverty skills / high productivity / high efficiency qualifications good job / good job opportunities / increased occupational mobility wide range of interests better health/better nutrition/avoidance of demerit goods may gain entrepreneurial skills | 2 | |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|---|
| 2(b) | <p>Explain <u>two</u> reasons for a change in the amount of tax revenue a government receives.</p> <p>Logical explanation which might include: Change in GDP / economic growth (1) will affect revenue from direct taxes / move into different tax brackets (1). Change in employment / wages / incomes (1) will affect (personal) income tax (1). Change in profits (1) will affect corporate (income) tax (1). Change in spending (1) will affect revenue from indirect taxes / VAT / GST (1). Change in demand for imports (1) affect revenue from import tariffs / import duty (1). Change in tax rates (1) e.g. higher sales tax rates on products with inelastic demand may increase tax revenue (1). Change in tax avoidance / tax evasion (1) as a result of e.g. campaigns / greater penalties (1) Change in population size (1) will affect number of people paying taxes (1) Inflation (1) fiscal drag (1). Change in what is taxed (1) the more products taxed, the more revenue might be raised (1).</p> | 4 | One mark each for each of two reasons identified and one mark for each of two explanations. |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|---|
| 2(c) | <p>Analyse the economies of scale a school may gain from an increase in its size. Coherent analysis which might include:</p> <p>Economies of scale reduce average cost of production / lower long run costs (1). Purchasing / buying economies (1) buying e.g. desks / computers in bulk (1) at a discount (1). Management economies (1) employing e.g. school accountant (1). Labour economies (1) teachers specialising e.g. in teaching biology (1). Technical economies (1) e.g. a film studio for media studies (1). Financial economies (1) a school may be able to borrow at a lower rate of interest (1) find it easier to get a loan (1). Marketing / selling economies (1) a private sector school may be able to advertise more cheaply (1).</p> | 6 | <p>Up to 3 marks for one type of economy of scale that is well-developed. Allow one mark for internal economies of scale.</p> |

| Question | Answer | Marks | Guidance | | | | | | | | | | | | | | | |
|----------|--|-------|--|-------|-------------|-------|---|---|-----|---|--|-----|---|--|-----|---|---|---|
| 2(d) | <p>Discuss whether or not having a high proportion of a country's population over the age of 64 is a benefit to its economy.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it might:</p> <ul style="list-style-type: none"> • may still be in work and may be efficient due to experience • may provide family support and care • may be the result of a rise in life expectancy which may mean living standards have risen • may be a smaller proportion of young dependents <p>Why it might not:</p> <ul style="list-style-type: none"> • may be a high proportion of older dependents • may be high healthcare costs • may be a high cost of state pensions • older workers may be out of date with new technology / may be less innovative. | 8 | <table border="1"> <thead> <tr> <th data-bbox="1276 220 1384 271">Level</th> <th data-bbox="1384 220 1917 271">Description</th> <th data-bbox="1917 220 2029 271">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1276 271 1384 836" style="text-align: center;">3</td> <td data-bbox="1384 271 1917 836">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.</td> <td data-bbox="1917 271 2029 836" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1276 836 1384 1161" style="text-align: center;">2</td> <td data-bbox="1384 836 1917 1161">A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td> <td data-bbox="1917 836 2029 1161" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1276 1161 1384 1353" style="text-align: center;">1</td> <td data-bbox="1384 1161 1917 1353">There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td> <td data-bbox="1917 1161 2029 1353" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1276 1353 1384 1437" style="text-align: center;">0</td> <td data-bbox="1384 1353 1917 1437">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1917 1353 2029 1437" style="text-align: center;">0</td> </tr> </tbody> </table> | Level | Description | Marks | 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. | 6–8 | 2 | A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question. | 3–5 | 1 | There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding. | 1–2 | 0 | A mark of zero should be awarded for no creditable content. | 0 |
| Level | Description | Marks | | | | | | | | | | | | | | | | |
| 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. | 6–8 | | | | | | | | | | | | | | | | |
| 2 | A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question. | 3–5 | | | | | | | | | | | | | | | | |
| 1 | There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding. | 1–2 | | | | | | | | | | | | | | | | |
| 0 | A mark of zero should be awarded for no creditable content. | 0 | | | | | | | | | | | | | | | | |

PUBLISHED

| Question | Answer | Marks | Guidance |
|----------|---|----------|---|
| 3(a) | <p>Define <i>external growth of firms</i>.</p> <p>Increase in size / output of a firm / expansion of a firm (1) due to a merger / takeover (1).</p> | 2 | Accept but do not expect reference to acquisition as merger. |
| 3(b) | <p>Explain <u>two</u> reasons why low-skilled workers may be highly paid.</p> <p>Logical explanation which might include: High demand / inelastic demand (1) due to e.g. expansion of the industry / economy (1). High cost of capital / relative cost of factors of production (1) may encourage use of labour-intensive production (1). Low supply (1) due to e.g. emigration / high employment / unsociable hours (1). Minimum wage (1) set at a high level / government policy may be to raise wages of low-skilled workers (1). The job may be dangerous/ unpleasant / poor working conditions (1) so a high wage is needed to attract workers / retain workers / example (1). The workers may be in a trade union (1) with strong/collective bargaining power / may take industrial action (1). May work long hours (1) so total pay is high (1). May work in a very profitable/high value-added industry (1) example (1).</p> | 4 | <p>One mark each for each of two reasons identified and one mark for each of two explanations.</p> <p>Award 2 marks for high national minimum wage.</p> |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|----------|
| 3(c) | <p>Analyse how fiscal policy can increase employment.</p> <p>Coherent analysis which might include:</p> <p>Rise in government spending / reduction in taxation (1) expansionary fiscal policy (1) may increase total (aggregate) demand (1) which can encourage firms to expand (1) reduce cyclical unemployment (1).</p> <p>Increase in government spending on education / training / health care (1) may increase skills / productivity of workers (1) which may increase their mobility / attractiveness to employers (1).</p> <p>Increase in government spending on infrastructure (1) can attract MNCs / attract FDI (1).</p> <p>Increase government spending on housing (1) which can increase (geographical) mobility of labour (1).</p> <p>Increase subsidies (1) which can encourage firms to expand and take on more workers (1).</p> <p>Cut in (personal) income tax (1) cut in unemployment benefit (1) increase disposable income (1) may increase the incentive to work (1).</p> <p>Cut in indirect taxes (1) which can encourage an increase in consumer spending (1) which can encourage firms to expand and take on more workers / reduce costs of production (1).</p> <p>Cut in corporate (income) tax (1) may give firms the funds / incentive to expand (1).</p> <p>Higher import tariffs (1) may encourage domestic firms to expand (1).</p> | 6 | |

| Question | Answer | Marks | Guidance | | | | | | | | | | | | | | | |
|----------|--|-------|--|-------|-------------|-------|---|---|-----|---|--|-----|---|--|-----|---|---|---|
| 3(d) | <p>Discuss whether or not a government should provide free fruit to consumers.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it should:</p> <ul style="list-style-type: none"> • fruit is a merit good • people may not appreciate its private benefits • social benefit of consuming it exceeds the private benefit • without government intervention, it may be under-consumed • may increase the health of the population and so may increase workers' productivity • may benefit fruit farmers • would enable the poor to consume it. <p>Why it should not:</p> <ul style="list-style-type: none"> • rich can afford to buy it • may result in it being overconsumed • some may be wasted • may lose tax revenue if indirect tax imposed on food • opportunity cost – government spending on e.g. education may have to be reduced. | 8 | <table border="1"> <thead> <tr> <th data-bbox="1276 220 1384 271">Level</th> <th data-bbox="1384 220 1917 271">Description</th> <th data-bbox="1917 220 2029 271">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1276 271 1384 836" style="text-align: center;">3</td> <td data-bbox="1384 271 1917 836">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.</td> <td data-bbox="1917 271 2029 836" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1276 836 1384 1161" style="text-align: center;">2</td> <td data-bbox="1384 836 1917 1161">A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td> <td data-bbox="1917 836 2029 1161" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1276 1161 1384 1353" style="text-align: center;">1</td> <td data-bbox="1384 1161 1917 1353">There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td> <td data-bbox="1917 1161 2029 1353" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1276 1353 1384 1437" style="text-align: center;">0</td> <td data-bbox="1384 1353 1917 1437">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1917 1353 2029 1437" style="text-align: center;">0</td> </tr> </tbody> </table> | Level | Description | Marks | 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. | 6–8 | 2 | A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question. | 3–5 | 1 | There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding. | 1–2 | 0 | A mark of zero should be awarded for no creditable content. | 0 |
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| Question | Answer | Marks | Guidance |
|----------|---|----------|--|
| 4(a) | <p>Define a <i>shortage</i>.</p> <p>Demand exceeding supply (2). Too much demand / not enough supply / supply is low and demand is high (1).</p> | 2 | |
| 4(b) | <p>Explain <u>two</u> ways a firm can increase its profit.</p> <p>Logical explanation which might include: Becoming more capital-intensive (1) which may reduce cost of production (1). Buying cheaper raw materials (1) which may reduce cost of production (1). Increasing efficiency / raising quality of product (1) by e.g. employing skilled workers (1). Increase training of workers (1) to raise productivity (1). Merging (1) enabling greater advantage to be taken of economies of scale (1). Advertising / improved packaging / adding more features (1) to increase demand / raise revenue (1). Gaining greater market power (1) enabling price to rise and revenue to increase / making demand inelastic (1). Raise revenue (1) by reducing price if demand is elastic / by raising price if demand is inelastic (1).</p> | 4 | <p>One mark each for each of two ways identified and one mark for each of two explanations. Note: in each case, reduce cost of production, raise demand, increase revenue can only be rewarded once.</p> <p>Nothing for change in price without relative reference to PED.</p> |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|---|
| 4(c) | <p>Analyse the reasons why the price elasticity of demand for one brand of luxury chocolates is likely to be different from that of salt.</p> <p>Coherent analysis which might include:</p> <p>One brand of chocolates is likely to have substitutes / other brands to switch to (1) is narrowly defined (1) it is not a necessity / is a want (1) the purchase can be postponed (1) it takes up a large proportion of income (1) demand is likely to be price elastic (1) a rise in price will cause a greater percentage change in quantity demanded (1).</p> <p>Salt does not have substitutes (1) is widely defined (1) it takes up a small proportion of income / is likely to be cheap (so price change less noticeable) (1) people become addicted to the taste (1) may be seen as a necessity (1) demand is likely to be price inelastic (1) a rise in price will cause a smaller percentage change in quantity demanded (1).</p> | 6 | <p>Award:</p> <p>Demand for a luxury brand of chocolate may be inelastic is consumers have brand loyalty (1) reinforced by advertising (1).</p> |

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|----------|---|----------|--|-------|-------------|-------|---|---|-----|---|--|-----|---|--|-----|---|---|---|
| 4(d) | <p>Discuss whether or not a country should import most of the food it consumes.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it should:</p> <ul style="list-style-type: none"> • may lack appropriate resources to produce food • will allow the country to produce other goods and services • value added may be greater in the secondary and tertiary sectors • wages may be higher in the secondary and tertiary sectors • working conditions may be better in the secondary and tertiary sectors • the output of food can be affected by changes in weather and natural disasters. <p>Why it should not:</p> <ul style="list-style-type: none"> • makes the country dependent on other countries • agriculture may be considered to be a strategic industry • foreign producers may raise price • food is a basic essential • a higher price could increase poverty • there may be disruptions in supply. | 8 | <table border="1"> <thead> <tr> <th data-bbox="1274 221 1386 269">Level</th> <th data-bbox="1386 221 1912 269">Description</th> <th data-bbox="1912 221 2024 269">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1274 269 1386 836" style="text-align: center;">3</td> <td data-bbox="1386 269 1912 836">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.</td> <td data-bbox="1912 269 2024 836" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1274 836 1386 1163" style="text-align: center;">2</td> <td data-bbox="1386 836 1912 1163">A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td> <td data-bbox="1912 836 2024 1163" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1274 1163 1386 1355" style="text-align: center;">1</td> <td data-bbox="1386 1163 1912 1355">There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td> <td data-bbox="1912 1163 2024 1355" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1274 1355 1386 1442" style="text-align: center;">0</td> <td data-bbox="1386 1355 1912 1442">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1912 1355 2024 1442" style="text-align: center;">0</td> </tr> </tbody> </table> | Level | Description | Marks | 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. | 6–8 | 2 | A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question. | 3–5 | 1 | There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding. | 1–2 | 0 | A mark of zero should be awarded for no creditable content. | 0 |
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| Question | Answer | Marks | Guidance |
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| 4(d) | | | Reward but do not expect reference to comparative advantage or absolute advantage. |

| Question | Answer | Marks | Guidance |
|----------|---|----------|--|
| 5(a) | <p>Define <i>unemployment rate</i>.</p> <p>The number of unemployed divided by the labour/work force (multiplied by 100) / the percentage of the labour force without a job (2). Those willing and able to work who cannot find employment (1).</p> | 2 | |
| 5(b) | <p>Explain <u>two</u> reasons why a government may discourage smoking.</p> <p>Logical explanation which might include:</p> <p>Improve health of those who give up smoking / smoking harms the health of smokers (1) reduce consumption of a demerit good / cigarettes are a demerit good (1) cigarettes are overconsumed / overproduced (1). Increase health of the population / reduce the health damage caused to non-smokers (1) reduce passive smoking / reduce air pollution (1). Reduce market failure (1) reduce external cost / reduce the gap between social costs and social benefits (1). Reduce health care costs (1) more could be spent on e.g. education (1). Increase productivity / stop fall in productivity (1) raise income/GDP / stop fall in income / GDP (1).</p> | 4 | There is a degree of mix and match on this question. Most of the points may be interpreted as either identification or explanation. Essentially a question on why a government may discourage smoking. |

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| Question | Answer | Marks | Guidance |
|----------|--|-------|----------|
| 5(c) | <p>Analyse why a country's exports may decrease.</p> <p>Coherent analysis which might include:</p> <p>Price of exports may rise / inflation / become less price competitive (1) due to a rise in costs of production (1) a rise in the exchange rate (1) demand may fall (1). Quality of exports may fall (1) workers may be less skilled (1) investment may have decreased (1). Incomes abroad may have declined (1) reducing the purchasing power of foreign buyers (1) reducing foreign countries' need for capital goods and raw materials (1). Demand in the home country may increase (1) encouraging firms to sell more of their output at home (1). Trade restrictions may be imposed (1) e.g. tariffs / quotas / subsidies / embargoes may be imposed by other countries (1) the government of the country itself may restrict, tax or ban exports (1) to stop depletion of resources / prevent shortage / rise in price on domestic market (1). May be disruptions to production (1) e.g. bad weather/war/pandemic (1) decrease in resources (1). Government subsidies to exporting may be stopped (1) government may switch to subsidising products sold on the home market (1).</p> | 6 | |

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|----------|---|----------|--|-------|-------------|-------|---|---|-----|---|--|-----|---|--|-----|---|---|---|
| 5(d) | <p>Discuss whether or not the discovery of oil in a country will benefit its economy.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it might:</p> <ul style="list-style-type: none"> • may increase GDP • may increase employment • may increase incomes • may increase tax revenue • may increase exports • reduce imports of oil <p>Why it might not:</p> <ul style="list-style-type: none"> • may create pollution • may damage wildlife habitats/ areas of natural beauty • may raise the exchange rate • oil may not be in demand – replaced by renewable energy • working conditions may be poor • extraction may last for a short time – may be deplete quickly • MNC may extract the oil and not many of the benefits may go to the domestic economy. | 8 | <table border="1"> <thead> <tr> <th data-bbox="1272 220 1384 268">Level</th> <th data-bbox="1384 220 1912 268">Description</th> <th data-bbox="1912 220 2024 268">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 268 1384 831" style="text-align: center;">3</td> <td data-bbox="1384 268 1912 831">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.</td> <td data-bbox="1912 268 2024 831" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1272 831 1384 1150" style="text-align: center;">2</td> <td data-bbox="1384 831 1912 1150">A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td> <td data-bbox="1912 831 2024 1150" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1272 1150 1384 1342" style="text-align: center;">1</td> <td data-bbox="1384 1150 1912 1342">There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td> <td data-bbox="1912 1150 2024 1342" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1272 1342 1384 1422" style="text-align: center;">0</td> <td data-bbox="1384 1342 1912 1422">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1912 1342 2024 1422" style="text-align: center;">0</td> </tr> </tbody> </table> | Level | Description | Marks | 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. | 6–8 | 2 | A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question. | 3–5 | 1 | There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding. | 1–2 | 0 | A mark of zero should be awarded for no creditable content. | 0 |
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