



Cambridge IGCSE™ (9–1)

ECONOMICS

0987/22

Paper 2 Structured Questions

May/June 2023

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 May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **23** 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 descriptors 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.

**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:

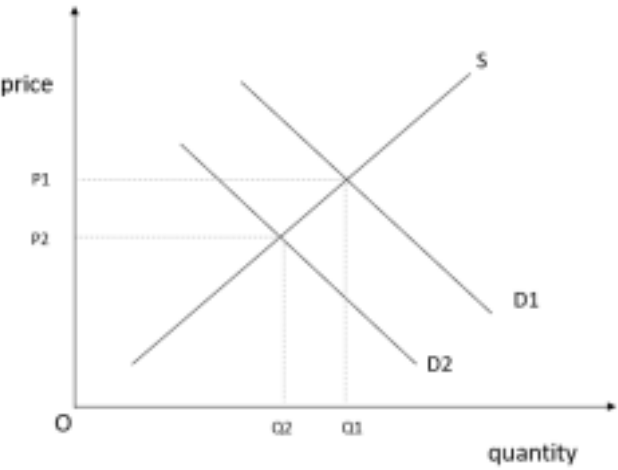
- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated 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.

Common examiner annotations on 0455/2281/0987 and 2286

	Uncertain what the candidate means – an illogical line of thought			MAX
	Benefit of the doubt			Not answered question
	Blank page			Not established – a statement made without any support
	Caret – a word is missing.			Repetition
	Confused			SEEN
	Cross			Tick – a credit worthy point
	Highlight			Too vague
	Nothing creditworthy			
	Level 1			
	Level 2			
	Level 3			

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Question	Answer	Marks	Guidance
1(a)	<p>Calculate the number of people who were living in poverty in Guyana in 2020.</p> <p>276 500 (1).</p>	1	
1(b)	<p>Identify <u>two</u> causes of the decrease in the output of sugar in 2020.</p> <p>Bad weather (1) falling (global) demand (1).</p>	2	If more than two causes given, consider the first three.
1(c)	<p>Explain how economic growth is measured.</p> <p>Real (1) GDP / national / country's output / income / expenditure (1).</p>	2	<p>If more than two ways given, consider the first three.</p> <p>Not accepting GDP per head for GDP.</p>
1(d)	<p>Explain <u>two</u> reasons why labour mobility may increase in Guyana in the future.</p> <p>Logical explanation which might include: Increased government spending on education / improved education (1) improved skills / productivity / occupational mobility (1). Improved / cheaper rail travel / increased spending on infrastructure / improved infrastructure (1) easier to work further away / increased ability to work in other areas / increased geographical mobility (1). Increased government spending on the internet (1) people learn new skills / gain information about job opportunities / increase occupational mobility (1). May be net immigration (1) migrants may be skilled / may be more willing to move to different areas of the country (1).</p>	4	<p>One mark each for each of two reasons identified and one mark each for each of two explanations.</p> <p>If more than two reasons given, consider the first three.</p>

Question	Answer	Marks	Guidance
1(e)	<p>Draw a demand and supply diagram to show the effect of a decrease in the price of rail transport on the market for car transport.</p> <p>Demand and supply diagram: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). Demand curve shifted to the left (1). Equilibriums – shown by lines P_1 and Q_1 and P_2 and Q_2 or equilibrium points marked as E_1 and E_2 (1).</p>	4	

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Question	Answer	Marks	Guidance
1(f)	<p>Analyse the relationship between GDP per head and internet access.</p> <p>Coherent analysis which might include:</p> <p>Expected relationship: Direct / positive (1) the higher the GDP per head, the higher the internet access (1)</p> <p>Supporting evidence: Up to two marks E.g. Iceland with the highest GDP per head had the highest % of the population with internet access Eritrea with the lowest GDP per head had the least internet access France with the second highest GDP per head has the second highest % of population with internet access</p> <p>Analysis of expected relationship: Higher GDP per head increases household's ability to pay for internet access / higher internet access may increase productivity/efficiency / increase job opportunities (1) higher GDP per head increases tax revenue, some of which can be spent on the provision of internet access / higher productivity/efficiency could increase wages (1).</p> <p>Exception: Guyana / Morocco (1) Guyana had a higher GDP per head but low internet access (1).</p> <p>Analysis of exception: Internet access is determined by other influences e.g. education levels (1).</p>	5	<p>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.</p> <p>In terms of supporting evidence: no marks for just description of the figures e.g. Brazil had a GDP per head of \$8717 and 72% of the population with internet access / Eritrea had a GDP per head of \$643 and 2% of population with internet access. France had a GDP of \$40 494 and 83% of the population with internet access etc.</p> <p>In terms of supporting evidence one mark maximum for an indirect comparison e.g. Iceland had a GDP per head of \$66 945 and 99% population with internet access whereas in Zambia with a GDP per head of \$1,305, only 29% of the population had access to the internet.</p>

Question	Answer	Marks	Guidance										
1(g)	<p>Discuss whether or not the discovery of oil is likely to increase living standards in Guyana.</p> <p>Award up to 4 marks for logical reasons why it might, which may include:</p> <ul style="list-style-type: none"> • increase exports (1) increase economic growth / higher national output (1) and raise incomes / increase GDP per head (1) increase purchasing power / able to buy more goods and services / able to buy basic necessities (1) could reduce poverty (1) • create jobs / reduce unemployment / increase employment (1) discourage emigration / encourage immigration (1). • raise tax revenue (1) allowing the government to spend more on e.g. education and healthcare (1) MNCs may spend on e.g. improving infrastructure / training (1). <p>Award up to 4 marks for logical reasons why it might not, which may include:</p> <ul style="list-style-type: none"> • may create pollution (1) create external costs / damage the environment (1) which will harm people’s health / reduce life expectancy (1) • may be poor working conditions in the industry (1) affecting health of workers (1) • the foreign MNC may send much of the profit back to its country (1) it may drive domestic oil firms out of business (1) may deplete the country’s oil reserves (1) • the foreign MNC may employ workers from its own country (1) • global demand for oil may fall /may be overdependence on oil / other countries may impose trade restrictions on oil. (1) 	6	<p>3rd bullet point: increase in government spending should be linked to a form of spending that could increase living standards.</p> <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 619 2056 1118"> <thead> <tr> <th data-bbox="1272 619 1960 687">Generic example</th> <th data-bbox="1960 619 2056 687">Mark</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 687 1960 751">Tax revenue may decrease ...</td> <td data-bbox="1960 687 2056 751">1</td> </tr> <tr> <td data-bbox="1272 751 1960 815">... because of reason e.g. incomes may be lower.</td> <td data-bbox="1960 751 2056 815">1</td> </tr> <tr> <td data-bbox="1272 815 1960 919">Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td> <td data-bbox="1960 815 2056 919">0</td> </tr> <tr> <td data-bbox="1272 919 1960 1118">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="1960 919 2056 1118">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
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1(h)	<p>Discuss whether or not Guyana would benefit from an increase in the size of its population.</p> <p>Award up to 4 marks for logical reasons why it might, which may include:</p> <ul style="list-style-type: none"> • population is below the optimum level / move to the optimum level (1), could make better use of resources (1) • if rise due to immigration (1) may bring in new ideas / new production methods / new skills / new technology (1) • an increase in the size of the labour force (1) if the number of people of working age increases (1) rise in tax revenue (1) allowing the government to spend more on e.g. education and healthcare (1) • consumer expenditure may increase (1) total (aggregate) demand may increase (1) • output could increase / cause economic growth / increase productive potential (1) • dependency ratio could fall (1) <p>Award up to 4 marks for logical reasons why it might not, which may include:</p> <ul style="list-style-type: none"> • larger population could result in pollution / congestion / overcrowding (1) damage the environment / increase external costs (1) • if rise due to fall in death rate or rise in the birth rate / increase in young / old population (1), the dependency ratio will increase (1) some of the extra population may be unemployed (1) 	6	

Question	Answer	Marks	Guidance
1(h)	<ul style="list-style-type: none">• pressure may be put on e.g. housing / welfare payments (1) increasing need for government expenditure (1)• there may be inflation (1)• population may increase to the extent that there is overpopulation (1) resources may be depleted (more quickly) (1).	6	

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Question	Answer	Marks	Guidance
2(a)	<p>Identify <u>two</u> influences, other than price, on a customer's choice of bank.</p> <p>Two from:</p> <ul style="list-style-type: none"> • services provided • amount willing to lend • size of bank • online facilities • location • interest paid or charged • where family banks • advertising • green investments • community involvement • reputation • confidence in the bank / reliability / safety • relationship with staff • whether foreign currency can be exchanged 	2	<p>If more than two influences given, consider the first three.</p> <p>Not accepting brand loyalty.</p> <p>Accept whether the bank offers Islamic banking.</p> <p>Also accept interest on its own.</p>
2(b)	<p>Explain <u>two</u> reasons why a merger may result in higher prices for consumers.</p> <p>Logical explanation which might include: More market power / less competition / monopoly power / may become a monopoly (1) can raise price as consumers will not be able to switch to other firms / demand may become more inelastic / can control price / become a price maker (1). May experience diseconomies of scale / example of a diseconomy of scale that may be experienced (1) raise prices due to higher (average) costs (1). Carrying out the merger may be expensive (1) price raised to cover the cost of e.g. retraining staff / making some staff redundant (1).</p>	4	<p>One mark each for each of two reasons identified and one mark each for each of two explanations.</p> <p>If more than two reasons given, consider the first three.</p> <p>Can accept higher cost if linked to diseconomies of scale or carrying out the merger. Not accepting the idea of higher costs because the firm will be larger (idea of higher total costs).</p>

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Question	Answer	Marks	Guidance
2(c)	<p>Analyse how an increase in bank lending can benefit an economy.</p> <p>Coherent analysis which might include: It could increase consumer expenditure (1) increase total demand (1) raise employment /reduce unemployment (1) reduce deflation (1). It could increase investment / increase spending on capital goods (1) benefit from advances in technology / innovation / better quality capital goods (1) increase productivity (1) raise the quality of products (1) lower price (1) increase exports (1) lower imports (1) improve the current account balance (1) cause economic growth / increase GDP / increase output / encourage firms to expand / new firms to set up (1). May enable the people to improve skills / to set up small business / buy basic necessities / reduce poverty (1). Lend to firms in financial difficulties (1) stop them going out of business (1).</p>	6	

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2(d)	<p>Discuss whether or not a market economy allocates resources in the best possible way.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it might:</p> <ul style="list-style-type: none"> price moves to reflect changes in demand and supply resources move from products falling in demand towards those rising in demand profit incentive for firms to produce what consumers demand / consumer sovereignty competition results in efficiency which drives down costs and prices changes in wages move labour to those jobs most in demand <p>Why it might not:</p> <ul style="list-style-type: none"> merit goods are under-consumed so not enough resources are devoted to their production demerit goods are overconsumed so too many resources are devoted to their production no resources are devoted to public goods as there is no incentive to produce them there may be factor immobility monopolies may restrict output external costs and benefits will not be taken into account when deciding on the allocation of resources. 	8	<table border="1"> <thead> <tr> <th data-bbox="1272 213 1379 277">Level</th> <th data-bbox="1379 213 1944 277">Description</th> <th data-bbox="1944 213 2060 277">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 277 1379 794" style="text-align: center;">3</td> <td data-bbox="1379 277 1944 794">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="1944 277 2060 794" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1272 794 1379 1086" style="text-align: center;">2</td> <td data-bbox="1379 794 1944 1086">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="1944 794 2060 1086" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1272 1086 1379 1246" style="text-align: center;">1</td> <td data-bbox="1379 1086 1944 1246">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="1944 1086 2060 1246" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1272 1246 1379 1342" style="text-align: center;">0</td> <td data-bbox="1379 1246 1944 1342">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1944 1246 2060 1342" 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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3(a)	<p>Identify <u>two</u> objectives of private sector firms.</p> <p>Two from:</p> <ul style="list-style-type: none"> • profit (maximisation) • growth / high sales • greater market share / market dominance • survival • improving the environment 	2	<p>Reward but do not expect profit satisficing, revenue maximisation, sales maximisation.</p> <p>Allow social welfare.</p> <p>If more than two objectives given, consider the first three.</p>
3(b)	<p>Explain <u>one</u> reason why the quantity of land may increase and <u>one</u> reason why the quality of land may increase.</p> <p>Logical explanation which might include:</p> <p>Quantity of land Reclamation (1) creating land from the sea (1). Reduction in overfishing / hunting (1) restoring stocks of fish / wildlife (1). Reduction in flooding (1) avoiding soil erosion (1). Discovery of new natural resources (1) e.g. of oil (1).</p> <p>Quality of land Use of fertilisers (1) raising productivity / efficiency / fertility of land (1). Reduction in pollution (1) preventing damage / diseases (1). Good weather (1) raising productivity efficiency / fertility of land (1). Better equipment / more advanced technology (1) raising productivity efficiency / fertility of land (1).</p>	4	<p>One mark for identifying one reason why the quantity of land may increase and one mark for explaining that reason.</p> <p>One mark for identifying one reason why the quality of land may increase and one mark for explaining that reason.</p>

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3(c)	<p>Analyse how an increase in investment may affect unemployment.</p> <p>Coherent analysis which might include: Spending on capital goods (1) will increase total demand (1) firms may expand their output / new firms may set up / economic growth may occur (1) (may need more workers) to work with the capital equipment / demand for labour may increase / need more workers / increase job opportunities (1) this can reduce cyclical (1) unemployment (1). Investment in education / training/ healthcare / research and development (1) can raise productivity / skills (1) increase mobility (1) reduce structural unemployment (1). Investment in infrastructure (1) increase geographical mobility (1) reduce structural unemployment (1). It could cause unemployment (1) as capital goods may replace workers / production may become more capital-intensive / demand for workers may decrease (1) capital goods can be a substitute for labour (1) cause technological unemployment (1).</p>	6	<p>Credit fall in unemployment / rise in unemployment only once (1).</p> <p>Reference to cyclical / structural / technological (unemployment) can be given an additional mark in each case if linked to a relevant point.</p>

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3(d)	<p>Discuss whether or not a government should try to prevent a rise in unemployment.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it should:</p> <ul style="list-style-type: none"> • may increase output / economic growth • increase tax revenue • reduce spending on unemployment benefit • reduce living standards / poverty <p>Why it should not:</p> <ul style="list-style-type: none"> • unemployment may be low • reduction in unemployment may cause inflation • the resulting higher incomes may cause a current account deficit • unemployment can create flexibility • opportunity cost of government policy measures • a government may have other objectives. 	8	<table border="1"> <thead> <tr> <th data-bbox="1272 213 1379 277">Level</th> <th data-bbox="1379 213 1944 277">Description</th> <th data-bbox="1944 213 2060 277">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 277 1379 794" style="text-align: center;">3</td> <td data-bbox="1379 277 1944 794">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="1944 277 2060 794" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1272 794 1379 1086" style="text-align: center;">2</td> <td data-bbox="1379 794 1944 1086">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="1944 794 2060 1086" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1272 1086 1379 1246" style="text-align: center;">1</td> <td data-bbox="1379 1086 1944 1246">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="1944 1086 2060 1246" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1272 1246 1379 1342" style="text-align: center;">0</td> <td data-bbox="1379 1246 1944 1342">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1944 1246 2060 1342" 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>Identify <u>two</u> reasons why a government may set an NMW.</p> <p>Two from:</p> <ul style="list-style-type: none"> • to raise wages • to reduce poverty / raise living standards • reduce income inequality • to correct market failure / ensure fair wages / prevent exploitation of workers • to encourage job seeking / reduce unemployment • reduce emigration 	2	If more than two reasons given, consider the first three.
4(b)	<p>Explain <u>two</u> causes of an increase in the value of a country's floating foreign exchange rate.</p> <p>Logical explanation which might include:</p> <p>Increase in demand for the currency (1) rise in exports / exports exceeding imports / current account surplus (1) due to higher incomes abroad (1) lower inflation / deflation / lower prices for exports (1) better quality (1).</p> <p>Increase in foreign investment in the country (1).</p> <p>Higher rate of interest (1) attracts hot money flows (1).</p> <p>Speculation (1) that the currency will rise in value (1).</p> <p>Decrease in supply of the currency (1) fall in imports / fall in current account deficit (1) fall in incomes at home (1) lower inflation / higher prices of imports / fall in quality of imports (1).</p> <p>The country's firms reducing investment in other countries (1)</p> <p>Lower rate of interest in other countries (1) reduce hot money going out of the country (1).</p> <p>Speculation (1) that other currencies will fall in value (1).</p>	4	<p>Causes may be linked here in different ways.</p> <p>Also allow explanation of two causes of an increase in demand for the currency or two causes of a decrease in supply of the currency.</p> <p>Credit higher demand mark only once and lower supply mark only once.</p>

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Question	Answer	Marks	Guidance
4(c)	<p>Analyse how an increase in the price of milk may affect the revenue earned by milk producers and soft drinks producers.</p> <p>Coherent analysis which might include: Demand for milk is likely to fall / contraction in demand (1) The effect on the revenue of milk producers will depend on price elasticity of demand (1) if demand is elastic, revenue will fall (1) as demand will fall by a greater percentage than the rise in price (1) if demand is inelastic, or demand is constant, revenue will increase (1) as demand will fall by a smaller percentage than the rise in price (1). Demand for soft drinks is likely to increase (1) the revenue of soft drinks producers is likely to rise (1) as soft drinks are a substitute / alternative to milk (1).</p>	6	

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4(d)	<p>Discuss whether or not small firms are more likely to go out of business than large firms.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why they might:</p> <ul style="list-style-type: none"> • may have high average costs • less able to take advantage of economies of scale • may be less likely to get a loan from commercial banks • may have less retained profits • may be new, testing out whether there is demand, inexperienced entrepreneurs <p>Why they might not:</p> <ul style="list-style-type: none"> • less likely to experience diseconomies of scale • may receive financial assistance from the government • may have customer loyalty • may be more flexible • may be a monopoly in a niche / specialist market. 	8	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="1272 213 1384 277">Level</th> <th data-bbox="1384 213 1951 277">Description</th> <th data-bbox="1951 213 2056 277">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 277 1384 794" style="text-align: center; vertical-align: top;">3</td> <td data-bbox="1384 277 1951 794">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="1951 277 2056 794" style="text-align: center; vertical-align: top;">6–8</td> </tr> <tr> <td data-bbox="1272 794 1384 1086" style="text-align: center; vertical-align: top;">2</td> <td data-bbox="1384 794 1951 1086">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="1951 794 2056 1086" style="text-align: center; vertical-align: top;">3–5</td> </tr> <tr> <td data-bbox="1272 1086 1384 1246" style="text-align: center; vertical-align: top;">1</td> <td data-bbox="1384 1086 1951 1246">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="1951 1086 2056 1246" style="text-align: center; vertical-align: top;">1–2</td> </tr> <tr> <td data-bbox="1272 1246 1384 1342" style="text-align: center; vertical-align: top;">0</td> <td data-bbox="1384 1246 1951 1342">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1951 1246 2056 1342" style="text-align: center; vertical-align: top;">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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5(a)	<p>Identify the opportunity cost of households spending their income and the opportunity cost of Chinese firms exporting goods and services.</p> <p>Saving (1) selling the products at home / consuming the products (1).</p>	2	
5(b)	<p>Explain <u>two</u> reasons why some top sportspeople have high earnings.</p> <p>Logical explanation which might include: High demand / inelastic demand for top sportspeople (1) large crowds watch top sportspeople / events (1) top sports events can be sold to TV firms for large fees (1) high merchandise sales / sponsorship deals / high gate receipts / can generate high profits for firms (1). Low supply / inelastic supply of sportspeople / lack of substitutes (1) high bargaining power (1) top sports people are skilled / talented (1) it may take years of training (1) high level of experience (1) some sports are dangerous (1).</p>	4	<p>Reasons may be linked in different ways. Also allow explanation of two reasons for high demand or two reasons for low supply. Reward but do not expect high mrp of labour and derived demand for labour.</p>

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Question	Answer	Marks	Guidance
5(c)	<p>Analyse the reasons for imposing tariffs on imports.</p> <p>Coherent analysis which might include: To improve the current account balance (1) make imports more expensive (1) reduce demand for imports / increase net exports (1) increase total demand (1). To protect domestic industries / infant industries / sunrise industries (1) protect sunset / declining industries (1) protect strategic industries (1) to increase economic growth (1) reduce unemployment / increase employment (1) encourage people to switch from buying imports to buying domestically produced products (1). To raise revenue (1) which the government can spend on e.g. education / reduce a budget deficit (1). To discourage the imports of harmful products / demerit goods (1) example (1). To prevent dumping / unfair competition (1) the selling of products at less than cost price / the selling of products produced by child labour (1). To retaliate (1) against another country's tariffs (1). To prevent a fall in the exchange rate (1) to prevent switch from domestic to foreign currency (1).</p>	6	

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5(d)	<p>Discuss whether or not a country with a high economic growth rate will have a deficit on the current account of its balance of payments.</p> <p>In assessing each answer, use the table opposite.</p> <p>Why it might:</p> <ul style="list-style-type: none"> incomes will rise and consumers may buy more imports firms may switch products from foreign markets to the growing home market firms may import more raw materials and capital goods the country may experience inflation which may reduce its international price competitiveness <p>Why it might not:</p> <ul style="list-style-type: none"> the economic growth may be export-led economic growth may encourage more investment, this could raise the quality of domestically produced products and lower their prices higher tax revenue may result in improvements in education and healthcare which could increase productivity the country may impose trade restrictions / reduce exchange rate. 	8	<table border="1"> <thead> <tr> <th data-bbox="1272 213 1379 277">Level</th> <th data-bbox="1379 213 1944 277">Description</th> <th data-bbox="1944 213 2060 277">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1272 277 1379 798" style="text-align: center;">3</td> <td data-bbox="1379 277 1944 798">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="1944 277 2060 798" style="text-align: center;">6–8</td> </tr> <tr> <td data-bbox="1272 798 1379 1088" style="text-align: center;">2</td> <td data-bbox="1379 798 1944 1088">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="1944 798 2060 1088" style="text-align: center;">3–5</td> </tr> <tr> <td data-bbox="1272 1088 1379 1248" style="text-align: center;">1</td> <td data-bbox="1379 1088 1944 1248">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="1944 1088 2060 1248" style="text-align: center;">1–2</td> </tr> <tr> <td data-bbox="1272 1248 1379 1343" style="text-align: center;">0</td> <td data-bbox="1379 1248 1944 1343">A mark of zero should be awarded for no creditable content.</td> <td data-bbox="1944 1248 2060 1343" 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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