CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

Paper 2 Structured Questions **February/March 2025**

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 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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.

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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.

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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).

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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.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standard isation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

	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			To be used when a candidate has misidentified a question they have answered e.g.: This is an answer to **Q4(c)** and not **Q5(c)**.

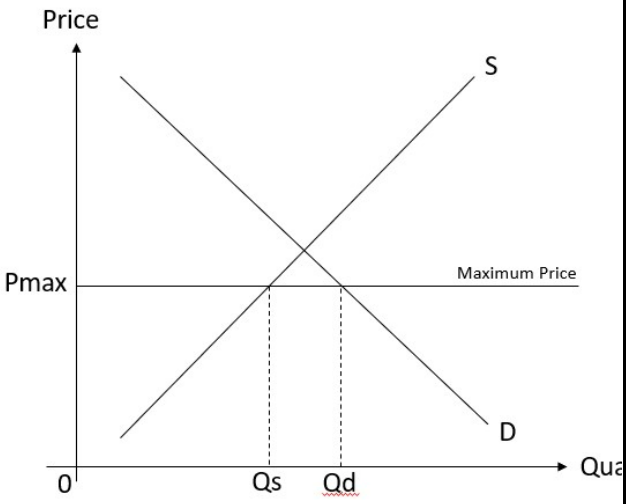
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L1	Level 1			
L2	Level 2			
L3	Level 3			

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Question	Answer	Marks	Guidance
1(a)	**Calculate Romania's current account deficit on its balance of payments in $s**. $27bn (1).	**1**	Accept 27bn without $. $27 000 000 000. $\$27 \times 10^9$ $2.7 × 10 to the power 10.
1(b)	**Identify <u>two</u> reasons why Romania's population fell between 1990 and 2022.** Fall in birth rate (1) emigration / net emigration / people leaving the country (1).	**2**	
1(c)	**Explain why immigration into Romania may increase in the future.** High economic growth rate / economic growth (1) higher wages / higher income / more chance of employment / more job opportunities / higher living standards (1).	**2**	1 mark for identification of high economic growth rate, and 1 mark for explanation.
1(d)	**Explain two reasons why household spending has increased in Romania.** Logical explanation which might include: • Romanians have become wealthier (1) more money to spend / greater purchasing power / higher income / higher GDP per head / can sell assets to get money to spend / more able to borrow / greater confidence (1). • More confident about the future / increased optimism (1) about future job prospects / higher earning / job security / may encourage more borrowing / less saving (1). • Low interest rates (1) encourage borrowing / reduce cost of borrowing / discourage saving (1). • High rate of inflation (1) spending more to maintain living standards (1).	**4**	

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Question	Answer	Marks	Guidance
1(e)	**Draw a demand and supply diagram to show the effect of setting a maximum price on electricity.** Coherent analysis which might include: D&S diagram: Axes correctly labelled – price and quantity or p and q (1). Demand and supply curves correctly labelled (1). Maximum price set below the equilibrium price – labelled as max price, P1, PX or any other P. (1). Quantity demanded and quantity supplied at the maximum price identified (1).	4	

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Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between GDP per head and average spending on food as a percentage of total household spending.** Relationship (up to 2 marks): Generally, an inverse relationship / negative relationship (1) the higher the GDP per head, the lower the average household spending on food as a % of household spending (1). Supporting evidence (up to 2 marks): E.g. the five countries with the lowest GDP per head had the highest % average household spending on food (1). Ethiopia had the lowest GDP per head and the highest average household spending on food as a % of total spending (1) Cambodia had the second lowest GDP per head and the second highest spending on food as a % of total spending (1) Egypt had the third lowest GDP per head and the third highest spending on food as a % of total spending (1). Analysis of relationship (up to 2 marks): As households get richer, they can afford to spend more in total on food / higher quality food (1) but can afford to buy more of other items / buy more luxury items / spend less on necessities (1). Exception (up to 2 marks): Norway / USA (1) Norway had a higher GDP per head but also a higher % of household spending on food (1). Analysis of exception (up to 1 mark): Food may be more expensive in Norway / Norwegians may have a different diet / buy a higher proportion of high quality food (1).	**5**	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. Supporting evidence should involve interpretation, not just description but note: A mark can be given for an implied comparison e.g. after stating that there is a negative relationship (1): e.g. Belgium had a GDP per head of $52 100 and **only** spent 13% of their total spending on food **whereas** Romania had a GDP per head of $15 000 and spent 26% of their spending on food (1), Rewarding GDP per head (income) but not just GDP.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not foreign MNCs reduce poverty in their host countries.

Award up to 4 marks for logical reasons why they might, which may include:
• they may increase employment / reduce unemployment (1) which may increase incomes / increase wages (1) cause economic growth / raise GDP (1) enabling people to buy more basic necessities / raise purchasing power (1).
• may train workers (1) increase skills (1).
• they may have lower costs of production / more efficient (1) use more advanced technology (1) may take advantage of economies of scale (1) able to charge lower prices (1).
• they may pay tax / less may be spent on unemployment benefit (1) some of this could be spent on e.g. education / healthcare / training unemployed (1) income could be redistributed (1).

Award up to 4 marks for logical reasons why it might not, which may include:
• they may replace domestic firms / drive domestic firms out of business (1) may employ workers from their own countries (1) leaving employment / unemployment unchanged (1).
• they may use capital-intensive methods (1) reducing demand for unskilled workers (1).
• they may use up non-renewable resources (1) reducing incomes in the future / raising prices (1).
• they may send profits back home (1) making them unavailable for re-investment in the host country (1).
• may increase relative poverty / not reduce relative poverty (1) may widen gap in pay between e.g. skilled and unskilled workers (1).
• may become a monopoly (1) charge high prices (1).</td><td>6</td><td>Apply this example to all questions with the command word DISCUSS
(1g, 1h, 2d, 3d, 4d and 5d)

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.

<table><tr><th>Generic example</th><th>Mark</th></tr><tr><td>Tax revenue may decrease…</td><td>1</td></tr><tr><td>...because of reason e.g. incomes may be lower.</td><td>1</td></tr><tr><td>Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td><td>0</td></tr><tr><td>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>1</td></tr></table>
Extract from the source material:
More MNCs may affect poverty because of the possible effects on unemployment and prices.</td></tr>
</table>

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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not a higher proportion of women is likely to enter Romania's labour force in the future.** Award up to 4 marks for logical reasons why it might, which may include: • there may be an increase in childcare facilities (1) making it easier for women who are parents to work (1) • more part-time work / more job opportunities for women / shortage of labour / higher demand for labour (1) lower birth rate (1) which may enable women to combine work and child rearing (1) • increase in female education / qualifications / training (1) which may increase skills / productivity (1) which may increase wages (1). • increase in healthcare / family planning (1) reduce size of families (1) • may seek to reduce poverty / improve living standards (1) by earning an income (1). Award up to 4 marks for logical reasons why it might not, which may include: • discrimination may occur (1) in terms of jobs available / wages (1). • negative social attitudes may continue (1) e.g. other workers may make the working environment uncomfortable for women (1). • women may emigrate (1) leaving the labour force (1) • working hours may increase (1) making it more difficult for women to combine work and home life (1). • An increase in income / higher household income (1) may enable women to work fewer hours / reduce need to work (1).	**6**	Extract from the source material: There is a range of influences on whether women enter the labour force. These include social attitudes, female education and whether childcare facilities and part-time work are available. No marks for just reproducing these words. Interpretation needed e.g. more part-time work. Many of the influences can be given either way but only reward identification of the influence once e.g., one mark for there may be increase in childcare facilities or a decrease in childcare facilities.

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Question	Answer	Marks	Guidance
2(a)	**Identify a difference between economic goods and free goods.** Economic goods use up resources / need factors of production to produce them (1) free goods do not (1) Economic goods are scarce / in limited supply (1) free goods are in unlimited supply (1). Economic goods have an opportunity cost (1) free goods do not (1).	**2**	No marks for examples. One mark for economic goods and one mark for free goods.
2(b)	**Explain how opportunity cost will influence a government's decision on whether to spend tax revenue on a large infrastructure project.** Logical explanation which might include: Opportunity cost is the (next) best alternative (1) forgone / given up (1). Tax revenue is limited (1) if a government spends some of it on an infrastructure project, it will not be able to spend on something else / could use the money to spend on something else (1) an example (1). Governments have to decide on their priorities / consider which form of spending will provide the greatest benefit (1) reason why spending on infrastructure may be the best option / may not be the best option (1).	**4**	

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Question	Answer	Marks	Guidance
2(c)	**Analyse the influences on whether supply of a product is elastic or inelastic.** Coherent analysis which might include: Elasticity of supply is a measure of the responsiveness of supply to a change in price / formula / elastic supply is when pes is > 1/ inelastic supply is when pes <1 (1). Elastic supply occurs when supply changes by a greater percentage than the change in price / inelastic supply is when supply changes by a smaller percentage than the change in price (1). Whether the product can be stored / non-perishable (1) if it can be, it will be elastic (1) able to adjust supply quickly to changes in price (1) as if price rises, goods can be taken out of storage (1). Whether the production time is short (1) if so, output can be increased quickly to take advantage of higher prices (1). Cost of altering supply (1) if it is costly to alter the supply, supply is likely to be inelastic (1). Whether there are unemployed resources / level of capacity (1) if there are, supply can be adjusted by taking on more resources (1). Whether resources / factors of production are mobile (1) if they can change use / location (1). Time (1) supply usually becomes more elastic, the longer the time period (1). Level of competition (1) supply is likely to be more elastic in a competitive than in a monopoly market (1).	**6**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not a government should ban the burning of wood to heat homes.

In assessing each answer, use the table opposite.

Why it should:
• reduce external costs / pollution
• correct market failure / information failure
• improve people’s health
• protect forests
• replace wood with a more environmentally-friendly fuel
• wood could be used for other purposes

Why it should not:
• wood may be bought mainly by the poor, increase poverty
• other sources of fuel may be more expensive
• may be difficult to enforce
• may cause unemployment
• may be better to tax wood as a fuel, could use revenue to subsidise more environmentally-friendly sources of fuel
• some alternative fuels may be more polluting.</td><td>8</td><td><table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>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>6–8</td></tr>
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<table>
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<tr><td>2(b)</td><td></td><td></td><td>
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<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>2</td><td>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>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
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Question	Answer	Marks	Guidance
3(a)	**Define *factor of production.*** A resource / input (1) used to produce goods and services / used in the production process (1).	**2**	No marks for examples.
3(b)	**Explain two reasons why building workers may not become teachers.** Logical explanation which might include: May lack skills (1) occupationally immobile (1). May not have the necessary qualifications / may not have sufficient education / may lack training / may lack willingness or ability to undertake training (1). May be paid more as building workers (1) a more physically demanding / more dangerous job (1) enjoy a higher standard of living as building workers may be in more demand than teachers (1). May be geographically immobile (1) unable to move to where the teaching jobs are (1). May not like the working conditions experienced by teachers (1) e.g. may want flexible working hours / less stress (1). May be unaware of job vacancies (1) information failure (1). May lack job vacancies (1) demand for teachers may fall (1). May enjoy working outside / gain more job satisfaction from working as a builder (1) benefit of fresh air (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. If more than two reasons given, consider the first three.

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Question	Answer	Marks	Guidance
3(c)	**Analyse how a small firm can compete successfully with a large firm in the same industry.** Coherent analysis which might include: It may provide a personal service / customised service (1) specialist product / unique product (1) catering for a niche part of the market (1). It may build up a relationship with customers / develop consumer loyalty / have a good reputation (1) more aware of their customers' requirements (1) good location (1) may be easy to manage (1). It may be subsidised by the government / given a government grant (1) may be charged a lower rate of (corporate income) tax (1) more revenue / lower cost (1) this could enable it to charge a low / competitive price (1). It may have a good relationship with workers / good communication with staff (1) increase their motivation (1) May be innovative (1) produce a high quality product (1). It may be more flexible (1) responding quickly to changes in market conditions (1). A large firm may experience diseconomies of scale (1) example of a diseconomy of scale (1) higher average cost / higher cost of production (1) higher prices (1).	**6**	Two relatively easy marks to gain are 'lower prices' and 'higher quality'.

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not an increase in the money supply will benefit an economy.

In assessing each answer, use the table opposite.

Why it might:
• raise consumer expenditure / government spending / investment
• reduce interest rate
• increase total demand
• increase economic growth and employment
• increase bank lending
• provide finance for firms to expand.

Why it might not:
• cause demand-pull inflation / fall in internal value of money
• increase imports
• current account deficit may increase / current account surplus may fall
• may cause a fall in the rate of interest
• increase in bank lending may result in some households and firms getting into debt.</td><td>8</td><td>
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<tr><td>3</td><td>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>6–8</td></tr>
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Question	Answer	Marks	Guidance
4(a)	**Identify two costs of unemployment.** Two from: • loss of output / low economic growth • loss of tax revenue / budget deficit • high government spending on benefits • higher government spending on measures to reduce unemployment / training the unemployed • loss of income / poverty / low living standards • loss of skills • health problems / high government spending on healthcare • more crime • movement of a production point inside the PPC / not producing at full capacity.	**2**	If more than two costs given, consider the first three.
4(b)	**Explain how the key resource allocation decisions are made in a mixed economic system**. Logical explanation which might include: Private sector / individuals / households / firms / consumers (1) will use price mechanism (1) demand and supply / demand / market forces (1) influenced by the profit motive (1) use most cost-effective methods of production (1). Public sector / government / state (1) will use its spending (1) taxation (1) regulation / maximum prices / minimum prices / directives (1) influenced by social costs / social benefits / economic welfare (1).	**4**	Maximum of three marks if only one sector is covered. For the last mark: accept, but do not expect reference to 'may carry out a cost-benefit analysis',

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Question	Answer	Marks	Guidance
4(c)	**Analyse the causes of an increase in the demand for foreign currency.** Coherent analysis which might include: To buy more goods and services from that country / higher demand by other countries for that country's products (1) increased foreign tourism (1) may be the result of higher inflation in the buying country (1) may be due to removal of trade restrictions (1) rise in quality of the other country's products (1) higher incomes in the buying country (1). To speculate / increased confidence in the currency (1) that it will rise in price / value (1) make a profit (1). To invest more in that country (1) e.g. set up a branch of a MNC / FDI (1) MNC sending profit home (1). To send more money home to relatives (1) workers' remittances (1). The government / central bank may buy it (1) to influence the exchange rate (1) add to the reserves (1). To take advantage of a rise in interest rates in that country (1) increase hot money flows (1) increase return on saving / financial investment (1). More people may migrate to that country (1) to e.g. buy a home in another country (1).	**6**	

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<tr><td>4(d)</td><td>Discuss whether or not inflation will harm a country’s firms.

In assessing each answer, use the table opposite.

Why it might:
• may increase price of raw materials and capital goods
• increase costs of production
• increase menu and shoe leather costs
• workers may take industrial action to gain wage rises
• increase costs and disrupt output
• cost-push inflation
• less internationally competitive
• profits may fall
• may make it difficult to plan.

Why it might not:
• demand-pull inflation can increase sales
• revenue may rise by more than costs, increase profits
• if lower than rival countries can make products more internationally competitive
• if low and stable, may not be a problem
• may reduce real value of debts
• may be able to reduce real costs of wages.</td><td>8</td><td><table><tr><th>Level</th><th>Description</th><th>Marks</th></tr><tr><td>3</td><td>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>6–8</td></tr></table></td></tr>
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Question	Answer	Marks	Guidance
5(a)	**Identify a difference between an export and an import.** Export is a good or service that leaves the country / sold to another country (1), import is a good or service that enters the country / bought from another country (1). Export is a credit item in the current account of the balance of payments (1) imports are a debit item (1). Foreigners spend on exports (1) the home country's population spend on imports (1). Exports lead to money coming into an economy (1), while imports lead to money going out of an economy (1).	**2**	
5(b)	**Explain why commercial banks may increase their lending.** Logical explanation which might include: To increase profits / revenue (1) earn more interest / high interest rates (1) as most commercial banks are in the private sector (1) main aim is likely to be profit maximisation (1). Increase in demand for loans (1) due to low interest rates (1) increase optimism about the future (1) higher demand for bank loans may increase profits (1). Increased confidence loans will be repaid (1) due to e.g. rise in incomes (1). Increase in bank deposits (1) more money to lend (1). Take advantage of economies of scale (1) lower average costs (1). Central bank / government encouragement / (expansionary) monetary policy / instructions (1) to increase total demand / increase consumer spending / increase investment (1). To promote social welfare (1) by reducing poverty (1). To keep up with competitors (1) attract more customers / gain more market share (1).	**4**	Reward but do not expect reference to reduced required liquidity ratio and quantitative easing. One mark in total for either high or low interest rates but explanation marks can be given.

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Question	Answer	Marks	Guidance
5(c)	**Analyse how an ageing population may affect a country's economic growth rate.** Coherent analysis which might include: • May increase economic growth / GDP / output (1) as an ageing population may have experience (1) more productive / more efficient / more skilled (1). • May have more spending power (1) increase total demand (1). • May train young workers to be more reliable / older workers may be more reliable (1). • May reduce economic growth / GDP / output (1) as may have out-of-date skills / not able to operate new technology (1) lack mobility (1). • More retired people / more economically inactive people (1) may mean a decrease in size of the labour force (1) increase dependency ratio / more dependents (1). • May save more (1) reducing total demand (1). • May be less healthy workers (1) more days absent from work due to sickness (1). • The government may have to spend more on state benefits / pensions / healthcare (1) lower tax revenue (1) reducing spending on items that could increase economic growth e.g. education, infrastructure / opportunity cost (1).	**6**	1 mark for either increase and / or decrease economic growth. Similarly, 1 mark for either more productive and / or less productive labour force, more or less saving etc. Not crediting comments on the change in the pattern of consumer spending e.g. spending less on toys and more on teeth implants.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td>Discuss whether supply-side policy measures will reduce a government’s budget deficit.

In assessing each answer, use the table opposite.

Why they might:
• education and training may raise productivity
• increase economic growth and employment
• raise direct and indirect tax revenue
• privatisation may reduce government spending to support state-owned firms
• revenue will be raised from the sale of privatised firms
• privatised firms may earn high profits which may raise tax revenue
• subsidies may encourage firms to expand and earn higher profits
• unemployment benefit may be cut to increase incentive to work.
• budget deficit may be increased in short term but reduced in the long term.

Why they might not:
• education and training will increase government spending and may not be successful
• lower tax rates may reduce tax revenue
• regulation will involve costs to enforce
• spending on infrastructure projects may involve high government spending.
• sale of profitable government-owned firms to the private sector may reduce government revenue from profits</td><td>8</td><td>Only accept a lower interest rate if linked to encouraging a rise in investment.

Answers that show an awareness of supply-side policy measures but which confuse a budget deficit with a bop deficit will not be analysing the question, so will be in Level 1.

<table><tr><th>Level</th><th>Description</th><th>Marks</th></tr><tr><td>3</td><td>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 sided 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>6–8</td></tr></table></td></tr>
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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td></td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>2</td><td>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>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
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