UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIO

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2011 quest

for the guidance of teachers

0455 ECONOMICS

0455/31 Paper 3 (Analysis and Critical Evaluation), maximum raw mark 40

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.

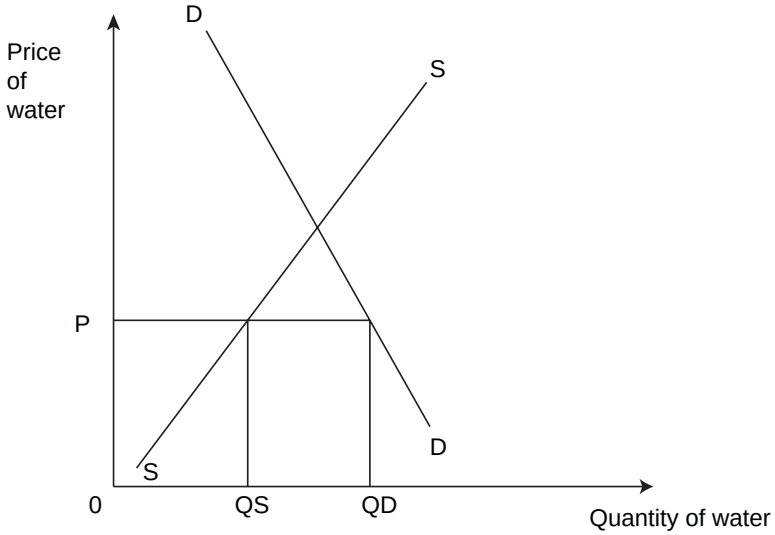
Mark schemes must be read in conjunction with the question papers and the report on the examination.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 **(a)** A factor of production/input (1) that is limited in supply/scarce
Note: Do not reward examples.

(b)



1 mark for correct labels (D, S, P and Q).
1 mark for price being set below the equilibrium level.
1 mark for stating or showing that demand will exceed supply.
1 mark for supply will fall and demand will rise.
1 mark for explaining that there will be a shortage of water or clearly showing this on the diagram.
Note: maximum mark of 4. [4]

(c) **(i)** Best alternative/next best alternative (1) foregone/example bringing out the meaning of foregone (1). [2]

(ii) 16 kilograms of wheat. [1]

(d) **1 mark** for each of two possible reasons **identified**, such as:
- world population may not increase as much as predicted
- agriculture/manufacturing may become more efficient
- vegetarianism may increase
- global warming may not continue
- global incomes may fall
- tax on water may be introduced by a number of countries
- government campaigns to encourage households to save water.

1 mark for each of two possible **explanations**, such as:
- If growth of the world population is less than predicted, the demand for water in general will increase less.
- If agriculture becomes more efficient, less water will be needed for each kilogram of food produced.
- A rise in vegetarianism will reduce the demand for meat which uses a lot of water to produce it.
- If global warming does not continue, there will be fewer droughts and floods.
- A fall in global incomes will be likely to reduce the demand for water and the products which use water to produce them. [4]

(e) Arguments **for** taxing household use of water, such as:
- may move price to the equilibrium level
- would ration a scarce resource
- would encourage people not to waste water
- would raise revenue.

Arguments **against** taxing household use of water, such as:
- difficult to know where to set the tax
- the tax will be regressive
- the rich may prove unresponsive to the price rise
- the tax may cause health problems
- agriculture and manufacturing use more water.

Up to 5 marks for a one-sided approach.
Maximum of 4 marks for a list. [7]

2 **(a)** Price/value/cost of one currency (1) in terms of another currency/currencies (1) e.g. £1 = $2 (1).
Note: maximum mark of 2. [2]

(b) **(i)** 62% [1]

(ii) Machinery industry or electrical equipment industry (1). Also allow reference to coffee, cotton, iron ore, maize, soya **if** in the context of processing the commodity, e.g. a coffee factory/industry.
Do not accept manufacturing or construction.
Also do not accept coffee or any other commodity on its own **nor** a reference to producers of a commodity. [1]

(c) An economy that produces most of what it consumes (1) and does not import much from abroad/does not trade much (1). [2]

(d) Two from, e.g.
- seen as having considerable growth potential
- rising GDP/rising demand for Brazil's products
- rising consumer expenditure
- high exchange rate
- good supply of raw materials
- increased demand for Brazilian commodities
- low wages in Brazil.

(There is information in the extract but a valid reason not drawing upon the extract can be accepted.) [2]

(e) **(i)** It rose (1) at different rates or most rapidly at the start/mo
Note: do not give any marks for just a year by year descri

(ii) 1 mark for **identifying** one from:
- loss of international competitiveness
- uncertainty
- claims for wage rises.

Up to 2 marks for **explanation**:
- If the rate of inflation is higher than in rival countries, to fall whilst the demand for imports is likely to rise.
- Inflation can create uncertainty as people and firms will not be sure what prices will be in the future/uncertainty may discourage investment.
- Inflation reduces the value of real wages and so workers may press for wage rises to maintain the purchasing power/may lead to industrial disputes. [3]

(f) 1 mark for **recognising** it is increasing its spending on education. This must be mentioned to access the other marks.

Up to 3 marks for **explaining** why a rise in government spending on education may reduce poverty, such as:
- raise the skills and qualifications of workers
- increase the chances of gaining employment
- increase earning potential
- may result in better health
- more control over family size.

Note: up to 3 marks for **<u>one</u>** strong explanation.

Up to 3 marks for **considering** what will influence its likelihood of being successful, such as:
- the amount spent
- opportunity cost involved
- what type of education it is spent on
- implied multiplier effect
- who can access the education
- educated workers may emigrate
- the time period it will take
- whether an alternative policy measure might be more successful.

Note: up to 3 marks for strong discussion of **<u>one</u>** factor.

Maximum of 4 marks for a list.
Note: if no mention of education, no marks can be gained. [7]