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

0455/32 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)** 1 mark each for any two valid influences, e.g.

- exchange rate
- price
- quality
- incomes abroad
- changing tastes and fashion
- trade restrictions (maximum of 1 mark even if more than
- foreign substitutes or complements.

(b) 1 mark for each of two reasons, e.g.

- state provision of health care may increase
- state provision of pensions may increase
- job security may increase
- a change in income
- an improvement in the state education system
- a rise in employment/fall in unemployment
- a rise in the inflation rate
- lower interest rates. [2]

(c) **(i)** 2 marks for unemployment caused by a lack of aggregate/total demand.
1 mark for unemployment caused by a lack of demand or people willing and able to work being without jobs or due to trade cycle or recession or boom or slump. [2]

(ii) 1 mark for **identifying** a consequence, one from:

- fall in potential output/lower economic growth
- lost tax revenue
- rise in savings
- change in inflation rate.

Up to 2 marks for **explanation**, e.g.

- If people are out of work they are not making goods and services and that potential output is lost for all time.
- Income will fall and so spending will fall leading to a decline in direct and indirect tax revenue.
- If they save more, spending will fall further which can cause even more unemployment.
- If fewer people are unemployed this may increase costs of production and increase total demand.

Note: consequence must be referred to in the extract. [3]

(d) **(i)** Unemployment falls whilst inflation rises or unemploym there is an inverse relationship described (1).
(The question only requires a description of the relations the answer must imply an inverse relationship.)

(ii) **Either**: as unemployment changes, incomes change (1), changes in demand are likely to encourage firms to c influence demand-pull inflation (1).
Note: maximum of 3 marks but final link is needed to ach

Or: as unemployment changes, a shortage or surplus of workers may develop (1). This may alter wage rates (1), and change the costs of production (1) and so influence cost-push inflation (1).
Note: maximum of 3 marks but final link is needed to achieve the third mark. [3]

Note: OFR – if in **(d)(i)** a candidate has described a direct relationship between unemployment and inflation, this may change the demand for the countries' products and so alter the number of people employed/unemployed.

Note: OFR – own figure rule which means that a candidate cannot be penalised twice for making the same mistake.

(e) 1 mark for **identification** of each factor, up to a maximum of four, e.g.

- level of aggregate demand/economic activity
- rise in international competitiveness
- consumer confidence
- change in government policy influencing aggregate demand, e.g. taxation
- change in government policy influencing aggregate supply, e.g. education/training
- skills of workers
- technological change
- mobility of workers
- relative cost of labour
- level of inflation.

Up to 3 marks for **discussing** the factors, e.g.

- If aggregate demand falls, cyclical unemployment will rise.
- An increase in the skills of workers may reduce structural unemployment.
- Technological change will require workers to learn new skills and may reduce jobs in some industries.
- An increase in geographical and occupational mobility should reduce unemployment.

Note: up to 3 marks for strong discussion of **one** factor. [7]

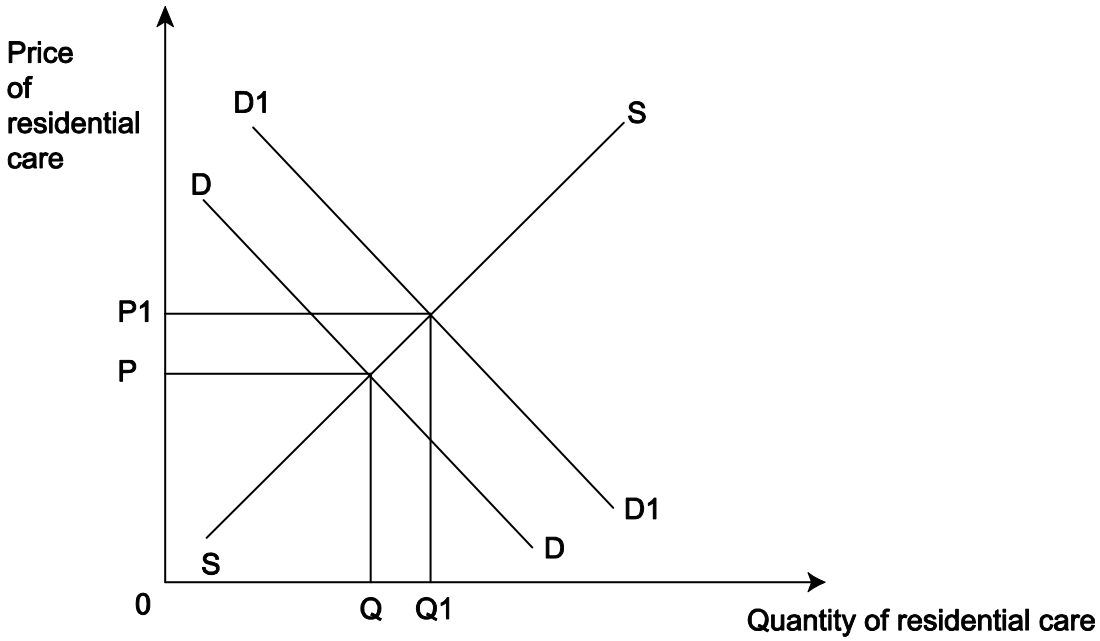
2 (a) 25%

(b) (i) 1 mark for either (net) emigration or a rise in the death ra
Do not accept people marrying later or decline in number

(ii) 1 mark each for any two valid causes of a falling death ra
- a healthier lifestyle, e.g. better diet, more exercise
- advances in medical care
- better housing
- improved working conditions
- less pollution. [2]

(c) 2 marks for those in work and those seeking work, or employed and unemployed, or those who are economically active.
1 mark for those working/workers. [2]

(d)



1 mark for correct labels (D, S, P and Q).
1 mark for shift of the demand curve to the right.
1 mark for correct equilibriums (indicated by lines only is sufficient).
1 mark for mentioning that the quantity bought and sold will be likely to rise.
1 mark for mentioning that price will be likely to rise.
Note: maximum mark of 4. [4]

(e) It would increase those who are working (1). Those affected are likely to receive higher incomes (1) and so pay more income/direct tax (1) and would spend more (1) and so pay more indirect taxes (1).
Also reward a business paying more direct tax in the form of corporation tax (1) as a result of increased output/expenditure/profit (1).
Note: maximum mark of 4. [4]

(f) 1 mark for **identification** of each piece of information, up to a

- size of population relative to the optimum size (candida term)
- current birth rate
- current death rate
- average age of population
- net migration figure
- employment level
- resources available
- short and long term effects.

Up to 3 marks for **discussing** how the information would aid the assessment, e.g. a rise in a country's birth rate would benefit its economy if:

- the population is currently below the optimum level
- the country has a labour shortage
- the country is well endowed with resources other than labour
- the population is ageing and declining
- a short term reduction in the size of the labour force is offset by a long term increase in it.

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

Note: a maximum of 3 marks for just discussing a rise in the birth rate and ignoring the information needed. [6]