UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIO

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 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 2012 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 **(a)** 2 marks for costs which have a harmful effect on third producing or consuming the product.
2 marks for social costs minus private costs.
1 mark for harmful effects (credit an appropriate example s just repetition of 'costs'.
1 mark for identifying those affected, i.e. third parties/ producing or consuming the product (credit an appropriate ex a polluting factory).
Note: No marks for general comment referring to the impa (confusion with social costs).

(b) 1 mark for demand for health care is exceeding the resources available to supply it.
1 mark for this indicates that wants exceed resources/there is a problem of scarcity or defining the economic problem.
1 mark for dealing with health problems caused by obesity prevents other health problems being treated. [2]

(c) 1 mark for it may increase government spending on health care because of the health problems it creates.
1 mark for it may increase government spending on sickness benefits because people may be unable to work or may be off sick.
1 mark for may increase government spending on health campaigns/advertising, healthy eating and/or exercise.
1 mark for government spending on subsidising low fat food. [2]

(d) **(i)** 1 mark for the extract mentions that the poor spend a higher proportion on food.
1 mark for this does not necessarily mean they spend more in total.
1 mark for the poor may actually spend less because their income is lower. [3]

(ii) 1 mark for inelastic demand.
1 mark for the extract mentions that smoking is addictive/raising tax on cigarettes has not proved effective.
1 mark for the quantity of cigarettes demanded is likely to change by less than the change in price/defining inelastic demand. [3]

(e) Why it should, e.g. it may
- raise revenue
- reduce obesity
- reduce the consumption of chocolate
- reduce the external costs associated with obesity (diagra

Why it should not, e.g.
- likely to be a regressive tax
- eating high fat foods is not the only cause of obesity
- the poor may not have easy access to healthy foods
- may just switch to other high fat foods
- demand may be inelastic
- may reduce employment in the chocolate industry
- may reduce GDP.

Up to 2 marks for discussing why another policy may be more effective.
Maximum of 4 marks for a list or list-like approach.
Maximum of 5 marks for a one-sided discussion. [8]

2 **(a)** **(i)** It rose. (1)
(No marks for just writing 11.3%)

(ii) It fell. (1)
(No marks for just writing –1.2%) [2]

(b) 1 mark for identifying workers may lack appropriate skills/education/qualifications or be occupationally immobile.
1 mark for identifying workers may be geographically immobile.
1 mark for development of why occupational immobility may have caused this situation.
1 mark for development of why geographical immobility may have caused this situation.
Note: it is not necessary to use these particular terms as long as the concepts are clearly understood. [2]

(c) 1 mark for consumption/investment/net exports are components of aggregate demand.
1 mark for it may reduce consumption.
Up to 2 marks for why it may reduce consumption – encourage saving, discourage borrowing, reduce the money supply.
1 mark for it may reduce investment.
Up to 2 marks for why it may discourage investment – increase cost of borrowing, encourage saving, reduce expected sales.
1 mark for it may discourage net exports.
Up to 2 marks for why it may reduce net exports – attract hot money, raise exchange rates, raise export prices and lower import prices.
Maximum of 3 marks for explanation of the influence on one component of aggregate demand. [4]

(d) 1 mark for Brazil's current account balance changed f deficit/current account position deteriorated or worsened.
1 mark for China's surplus consistently fell/current ac worsened/current account was always in surplus.
1 mark for India's deficit consistently rose/current acc worsened/current account was always in deficit.
1 mark for Russia's surplus fluctuated/current account w Russia's surplus to fall or current account position deteri improved.
Note: Do not credit purely numerical observations including 'p

(e) 1 mark for reference to conflict between reducing inflation and reducing unemployment.
1 mark for recognising inflation may benefit from a reduction in AD whilst such a reduction may increase unemployment. [2]

(f) Why it might, e.g. it may result in
- higher output
- higher tax revenue
- less spending on benefits
- more efficient use of resources.

Why it might not, e.g. it may cause
- inflation
- shortage of workers
- lack of flexibility
- more imports.

Maximum of 4 marks for a one-sided discussion.
Maximum of 3 marks for a list or list-like approach. [6]