Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/21**

Paper 2 Structured Questions **May/June 2021**

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 2021 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 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.

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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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Question	Answer	Marks	Guidance
1(a)	**Calculate the value of Nigeria's exports of goods in 2017.** $43.1bn	**1**	$ is not essential.
1(b)	**Identify <u>two</u> examples of capital goods.** Two from: • [delivery] vehicles • machines • [office] equipment	**2**	
1(c)	**Explain whether Nigeria had a budget deficit or a budget surplus in 2017.** • budget deficit (1) • government spending exceeded tax revenue (1) • government spending was $19.5bn and tax revenue was $12.9bn (1)	**2**	
1(d)	**Explain how government spending on training may increase tax revenue in the long run.** Logical explanation which might include: • Training may increase skills of workers (1) raise productivity (1) raise wages / incomes (1) increase job opportunities / employment / reduce unemployment (1) increase income tax revenue (1). • Higher wages may increase spending / demand (1) increase indirect tax revenue (1). • A more productive labour force may reduce costs of production (1) raise profits (1) increase corporation tax revenue (1).	**4**	

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Question	Answer	Marks	Guidance
1(e)	**Analyse how living standards in Nigeria compare with the living standards in Ethiopia in 2017.** Coherent analysis which might include: • Nigeria's higher GDP per head (income) (1) suggests Nigerians may have been able to enjoy more goods and services (1). • Nigeria has a lower life expectancy (1) suggesting poorer healthcare (1). • Nigeria has a higher average number of years spent at school (1) suggesting the labour force may be more educated (1). • Nigeria has a higher percentage of underweight five-year olds (1) suggesting poor nutrition / income inequality (1). • Overall comment: Nigeria's income per head and average years spent at school suggests a higher living standard but life expectancy and percentage of five years underweight suggests a lower living standard (1).	**4**	

Question	Answer	Marks	Guidance
1(f)	**Analyse how a government could encourage firms to increase their investment.** Coherent analysis which might include: • Reduce the rate of interest (1) making it cheaper to borrow (1) encouraging borrowing as consumer spending is likely to rise (1). • Lower corporation tax (1) increasing the funds available to invest (1) increasing the incentive to invest as return from investment would rise (1). • Create greater economic certainty / confidence (1) by e.g. keeping inflation low and stable / not changing government spending and taxation frequently (1) making it easier for firms to plan / it can take time to get a return from investment (1). • Provide subsidies/grants/loans (1) decreasing cost of investments (1) encouraging MNCs (1). • Raise tariffs (1) increasing demand for home produced goods (1). • Less government regulation/policies (1) reduces costs for firms (1) more willing to invest (1).	**5**	

<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 an increase in Nigeria's population will benefit its economy.

Award up to 4 marks for why it might:
• Fall in death rate (1) may indicate improved healthcare (1).
• Total (aggregate) demand will increase (1) may enable existing firms to expand / increase output (1) new firms to set up (1) attract MNCs (1).
• Labour force may increase (1) causing total (aggregate) supply to increase / raise productive capacity (1) increase output / GDP (1).
• May move country towards optimum population (1) if there are unused resources (1).
• Net immigration will increase labour force (1) and reduce dependency ratio (1)
• More tax revenue (1) can be spent on improving e.g., public services (1).

Award up to 4 marks for why it might not:
• Birth rate is rising (1) will increase dependency (1) resources which may have increased economic growth may have to be devoted to rearing the children (1).
• Labour force may fall in the short run (1) to look after the children (1).
• Pressure will be put on the environment (1) there may be more pollution (1) causing overcrowding / poor health (1).
• If food output cannot be increased (1) may be more malnourishment/famine / poverty (1) more food is required / food may have to be imported (1) food prices may increase (1).</td><td>6</td><td>Apply this example to all questions with the command word DISCUSS
(1(g), 1(h), 2(d), 3(d), 4(d) and 5(d))

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>
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</td></tr>
</table>

Question	Answer	Marks	Guidance
1(g)	• Population is rising but age structure may be changing (1) as there is net emigration of young people (1) may result in reduction in labour force (1). • [Opportunity] cost for government (1) which has to spend on health/education rather than infrastructure (1). • Increase in output to meet demand (1) results in faster usage of resources in country (1) and shortages (1).		

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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not an increase in Nigeria's import tariff on rice would increase the output of Nigerian rice.** **Award up to 4 marks for why it might:** • A higher tariff may raise the price of imported rice (1) may reduce demand for / consumption of imported rice (1) may cause Nigerians to demand more home-produced rice as it is cheaper (1) effect would be greater, the greater the elasticity of demand for the import of rice (1) may enable Nigerian rice farmers to raise their price / make more profit (1). • A tariff may raise government tax revenue (1) some of this could be used to subsidise Nigerian rice farmers / modernise farming methods and so raise productivity (1). **Award up to 4 marks for why it might not:** • Nigerian farmers are less productive than Asian competitors (1) have high(er) costs of production (1) Nigerian price may still be higher even with the higher import tariff (1). • The supply of Nigerian rice may be price-inelastic (1) so even if Nigerian farmers could sell their rice for more, they may have difficulties adjusting supply (1). • More Nigerian rice will not be sold if quality is poor (1) consumers my prefer the varieties of rice produced in other countries (1) other countries retaliate by imposing higher tariffs (1) current account surplus may be reduced (1). • Increase in import tariffs may be small (1) making little difference to import prices and consumption (1). • Not enough resources/ factors of production e.g., farmers (1) to produce more rice in Nigeria (1).	**6**	

Question	Answer	Marks	Guidance
2(a)	**Identify the <u>two</u> types of costs that make up social cost.** Private costs (1) External costs (1).	**2**	
2(b)	**Explain <u>two</u> causes of a shift to the right in the demand curve for fish.** Logical explanation which might include: • Rise in the price of a substitute for fish (1) people will switch away from buying e.g. chicken to buying fish (1). • Fall in the price of a complement for fish (1) people will buy more of the complement (1). • A rise in income (1) people will be able to afford to buy more fish (1). • A report stating eating fish is good for health / changes in tastes (1) people may buy more fish to try to increase their life expectancy (1). • Increase in population size (1) more people to buy fish (1). • A successful advertising campaign (1) may persuade more people to buy fish (1).	**4**	One mark each for each of two causes identified and one mark each for each of two explanations.

Question	Answer	Marks	Guidance
2(c)	**Analyse how cleaning up pollution could benefit an economy**. Coherent analysis which might include: • Will reduce external costs (1) improve health / less sickness (1) raise quality of life / standard of living (1). • Less (government) spending on healthcare (1) more can be spent on other priorities e.g., education (1). • Cleaning up pollution may create jobs / employment (1) reduce unemployment (1) may attract MNCs (1) increase in incomes (1) reduction in poverty (1). • Recycling of some of the material collected (1) could increase the country's output (1) less use of non-renewable resources (1). • Better working conditions (1) productivity of labour could increase (1) reduce costs of production (1) increase output (1) reduce unemployment (1) reduce inflation (1). • Improve the environment (1) Increase tourism (1) increase exports of services (1) improve the current account position (1). • Reduction in ocean pollution (1) will improve fish stock (1) improve quality of fish (1) greater catches of fish (1) leading to rise in incomes / revenue / GDP (1).	**6**	

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not countries specialising benefits consumers.

In assessing each answer, use the table opposite.

Why it might:

• countries may specialise in what they are best at producing
• output may rise
• greater availability
• costs of production may fall
• prices may fall
• quality may rise
• better paid jobs increasing purchasing power of consumers

Why it might not:

• a country may gain a monopoly of production, raising price and lowering quality
• choice may be reduced / greater reliance on imports
• other countries’ producers may have lower health and safety standards
• supply problems may affect a particular country, cutting off supplies
• trade disputes may cut off supplies</td><td>8</td><td>Reward but do not expect reference to absolute and comparative advantage.

<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><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></table></td></tr>
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<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 *cyclical unemployment.*** • Workers without jobs (1) • due to a lack or fall in total (aggregate) demand (1) • more people unemployed than there are job vacancies (1) • in a recession / economic downturn (1).	**2**	Nothing for a fall in demand for a product.
3(b)	**Explain <u>two</u> ways a firm could increase the productivity of its workers.** Logical explanation which might include: • Raise wages / performance related pay / commissions (1) increase motivation of workers (1). • Provide training (1) increase workers' skills / efficiency (1). • Division of labour by firm (1) enables greater specialisation (1) • Buy capital goods / invest (1) workers will be working with better equipment (1). • Reduce working hours (1) workers may feel fresher / more alert (1). • Improve working conditions (1) reduce stress (1). • Subsidise workers' healthcare (1) making them fitter / fewer days lost through illness (1). • Working from home (1) reduce stress from travelling (1).	**4**	One mark each for each of two ways identified and one mark each for each of two explanations.

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Question	Answer	Marks	Guidance
3(c)	**Analyse the advantages of a low rate of inflation.** Coherent analysis which might include: • Low inflation means prices are still rising (1) but not a high rate (1). • May stop purchasing power being reduced too much / wages may keep pace with inflation (1). • May increase international price competitiveness (1) as may be below the inflation rate of other countries (1) increasing exports (1) reducing imports (1) improving the current account position (1). • May create greater certainty / stability (1) as costs may not be rising significantly (1) encouraging firms / MNCs to invest (1) increasing output / GDP (1) increasing employment / lowering unemployment (1). • May encourage saving (1) as real value may be maintained (1) provide funds for investment (1). • It may raise profit (1) if demand-pull (1) encouraging firms to expand (1) increasing employment / lowering unemployment (1). • May stop a random redistribution of income (1) protecting savers (1). • Low menu costs (1) reduce pressure on firms' costs of production (1).	**6**	'Increasing employment / lowering unemployment' can only be credited once.

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<tr><td>3(d)</td><td>Discuss whether or not a fall in a country's unemployment rate will reduce poverty in that country.

In assessing each answer, use the table opposite.

Why it might:
• increase the income of those who gain jobs
• absolute poverty may be reduced with more people being able to buy basic necessities
• tax revenue may rise
• the government could spend more on benefits for the poor
• the government could spend more on education, reducing future poverty

Why it might not:
• jobs may be part-time, low-paid, at national minimum wage
• jobs may be seasonal
• relative poverty may increase if extra jobs are gained by the well-paid
• the unemployment rate may fall but unemployment may rise if there are more people in the labour force
• may be more retired people living in poverty
• sick and disabled people may not be able to get out of poverty
• unemployment is only one of a number of factors affecting poverty
• absolute poverty may remain</td><td>8</td><td>
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Question	Answer	Marks	Guidance
4(a)	**Define *the labour force*.** • Those who are economically active (2). • Those willing (1) and able to (work) (1). • The employed (1) and the unemployed (1).	**2**	
4(b)	**Explain <u>two</u> causes of an ageing population.** Logical explanation which might include: • A fall in the death rate / increase in life expectancy (1) resulting from better healthcare / better nutrition / higher income / better lifestyles (1). • A fall in the birth rate (1) resulting from higher cost of raising children / fall in child benefit / increase in women working / increase in use of family planning / fall in infant mortality / reduction in need for children to support parents due to provision of state pensions or healthcare (1). • Rise in net emigration of mainly young-aged people (1) resulting from higher incomes abroad / increase in job opportunities abroad (1).	**4**	One mark each for each of two causes identified and one mark each for each of two explanations.

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Question	Answer	Marks	Guidance
4(c)	**Analyse how a fall in the value of a country's foreign exchange rate could reduce a deficit on the current account of its balance of payments.** Coherent analysis which might include: • Foreign exchange rate is the price / value of one currency in terms of another currency or currencies (1) a fall in the value of a foreign exchange rate means that the domestic currency buys less foreign currency / depreciates (1). • A fall will reduce price of exports (1) raise demand for exports (1) increase export revenue (1) money flows into country which will reduce Balance of Payments deficit (1) if demand is elastic (1). • Increase price of imports (1) reduce demand for imports (1) reduce import expenditure (1) reduces the money flows out of the country which reduces the Balance of Payments deficit (1) if demand is elastic (1).	**6**	

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<tr><td>4(d)</td><td>Discuss whether or not an economy will benefit from an increase in consumer expenditure.

In assessing each answer, use the table opposite.

Why it might:

• may increase total (aggregate) demand which may encourage firms to expand
• cause economic growth
• reducing cyclical unemployment
• raise tax revenue enabling the government to spend more on education and healthcare
• eliminate / reduce deflation
• raise inflation to the inflation target rate

Why it might not:

• may cause demand-pull inflation especially if economy is at full capacity
• may increase spending on imports
• may divert exports to the home market
• may cause a deficit on the current account of the balance of payments
• may reduce long run economic growth as resources may be diverted away from producing capital goods
• may increase the consumption of demerit goods</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> industries, other than agriculture, that operate in the primary sector.** Two from e.g.: Mining, fishing, forestry, oil extraction	**2**	
5(b)	**Explain <u>two</u> possible disadvantages to an economy of a fall in its agricultural output.** Logical explanation which might include: • Shortage of food / famine (1) may have to import more food (1) export less food (1) worsen the current account position (1). • Price of food may rise (1) may increase poverty / might worsen health (1). • Less food production (1) unemployment may increase (1) if lack of labour mobility / structural unemployment (1). • May result in migration from rural to urban areas (1) putting pressure on resources in urban areas (1). • Economic growth / GDP will fall (1) if lower agricultural output is not offset by rise in output of secondary and tertiary sectors (1).	**4**	One mark each for each of two disadvantages identified and one mark each for each of two explanations.
5(c)	**Analyse how a central bank could avoid deflation.** • Deflation is a fall in the price level (1). • The central bank could lower the rate of interest (1) reduce return from saving (1) encourage borrowing (1) encourage a rise in consumer expenditure (1) encouraging firms to raise their prices (1). • It could increase the money supply (1) increasing bank lending (1) increasing investment (1). • Expansionary monetary policy (1) increases total (aggregate) demand (1) causing prices to rise (1).	**6**	

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<td>5(d)</td>
<td>Discuss whether or not a firm should have growth as its main objective.

In assessing each answer, use the table opposite.

Why it should:
• may increase market share
• may increase market power
• may increase profits / keep shareholders happy
• may enable the firm to take greater advantage of economies of scale
• may increase pay and job security of managers / directors
• may make it more difficult for another firm to take it over as will involve a greater cost

Why it might not:
• if demand is falling, survival may be a more appropriate main objective
• if demand is limited e.g. a niche market, growth may be an unlikely objective
• profit maximisation as an objective, if successful, will provide the funds for growth in the longer run
• state-owned enterprise may have social welfare as an objective
• growth may result in diseconomies of scale
• growth may put pressure on workers which could lower productivity / result in higher labour turnover
• may make it more attractive for a firm to take it over</td>
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