Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

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.

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)

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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).

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 Chile's agricultural output in 2017.** $11.76bn / $11 760 000 000 / $11 760m (1).	**1**	Accept $11.8bn and $12bn. $ is not essential.
1(b)	**Identify <u>two</u> disadvantages of a country specialising**. Two from: • demand may fall / new competitors may appear • supply/output may fall / diseases / natural disasters / bad weather may affect agricultural output / costs may rise • non-renewable resources may run out • structural unemployment may occur • reliance on imports no longer produced by home country / overdependency on other countries	**2**	One mark each for each of two disadvantages. Rely on a small number of industries is not sufficient.
1(c)	**Explain <u>one</u> reason why demand for cherries is price-elastic.** A luxury product (1) they do not have to be purchased / not essential / not a necessity (1). Has close substitutes (1) example / rise in price will cause some people to switch to rival products (1).	**2**	In terms of close substitutes, also accept: fall in price will cause some people to switch towards this product and away from rival products. **One mark for the reason identified and one mark for the explanation.** A candidate who writes a luxury product and has close substitutes and no more has identified two reasons, so just one mark. If a candidate identifies one of the two reasons but does not explain it and then identifies the second reason and explains it, the second reason can be taken and with the explanation, 2 marks.

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Question	Answer	Marks	Guidance
1(d)	**Explain how Chile's population structure differs from Haiti's population structure.** Logical explanation which might include: Chile has a higher proportion of its population aged over 65 / Haiti a lower proportion aged over 65 (1). Chile has a lower proportion of the population aged under 15 / Haiti has a higher proportion aged under 15 (1). Chile is likely to have a lower birth rate / Haiti is likely to have a higher birth rate (1). Chile likely to have a lower death rate / Haiti is likely to have a higher death rate (1). Chile's population pyramid indicates a relatively high level of development/high income country / Haiti's population pyramid indicates a relatively low level of development/low income country (1). Chile's population pyramid is less pyramid shaped / more stationary / constrictive / bulges out in the middle / more egg-shaped / Haiti's is more pyramid shaped / more expansive (1). Lower dependency ratio in Chile / higher dependency ratio in Haiti (1). Higher proportion of population of working age in Chile / lower proportion of population of working age in Haiti (1). Higher population size in Chile / lower population size in Haiti (1).	**4**	Accept for the first and second points other relevant age ranges e.g. over 60, under 10. Accept longer life expectancy for lower death rate and shorter life expectancy for higher death rate. Note that each country overall has more females than males, so not a difference.

Question	Answer	Marks	Guidance
1(d)	Chile has a higher average age / older population / Haiti has a lower average age population / younger population (1).		
1(e)	**Analyse why China buys most of its cherries from Chile.** Coherent analysis which might include: Chile has high production standards (1) cherries are likely to be of a high quality (1). China does not impose tariffs on Chilean cherries (1) may keep their price low (1).	**4**	Free trade agreement on its own is not sufficient**.**
1(f)	**Analyse why Chilean astronomers are paid more than Chilean farm workers.** Coherent analysis which might include: Most astronomers have a university degree (1) high cost of training/ long period of training (1) well qualified / well educated / high level of knowledge (1) highly productive / highly skilled / efficient (1) in short supply (1) high demand (1) more inelastic demand (1) more inelastic supply (1). Most work in the public sector (1) government may be more willing / able to pay higher wages (1) public sector workers are more likely to belong to a trade union (1) have stronger bargaining power (1).	**5**	Also accept an approach based on an analysis of why Chilean farm workers are paid less than Chilean astronomers. This may include reference to immigrant farm workers who may be prepared to accept relatively low wages and Chilean farm workers being replaced by capital equipment / more replaceable than astronomers**.**

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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 Chilean consumers would benefit from more government intervention in the economy.

Award up to 4 marks for why they might:
• evidence of market failure (1)
• merit goods may be underproduced (1) as under-consumed (1)
• demerit goods may be overproduced (1) as overconsumed (1)
• external costs could be reduced (1) external benefits may be increased (1) external costs / external benefits are not taken into account by the private sector (1)
• public goods may not be produced (1) no profit incentive to make them (1) as there can be free riders (1)
• inequality (1) poor consumers may lose out / there may be poverty (1) resources may not be devoted to producing what the poor need (1) may not be able to afford prices charged (1)
• government subsidies (1) can lower prices (1)
• government could set maximum prices (1) lower prices of necessities (1)
• government could control (private sector) monopoly power (1) prevent abuse of market power (1)
• government investment in education (1) could lower prices / raise quality of output (1).

Award up to 4 marks for why they might not:
• government failure may occur (1) e.g. government may lack information (1).
• market forces can provide wide choice of products (1) may be consumer sovereignty (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))

Not taking lower taxes, lower subsidies or reduced immigration controls as a form of government intervention.

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

Question	Answer	Marks	Guidance
1(g)	• profit incentive (1) industries may respond to changes in consumer demand (1) • efficient industries (1) prices may be low (1) quality may be high (1) • government intervention in the form of nationalisation (1) may reduce competition (1). • government taxes / tariffs / regulation / minimum wages (1) may increase costs (1) raise prices (1) • maximum prices could reduce availability of products (1) • government limits on immigration (1) may reduce availability of products / raise prices (1)		

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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not the Haitian economy would benefit from fewer of its people working in Chile.** **Award up to 4 marks for why it might:** • wages may be low in Chile (1) work involves unskilled labour (1) • employment may be rising in Haiti (1) the country could keep more of its skilled workers (1) • larger labour force / more workers (1) higher total demand (1) increase GDP / increase economic growth / increase productive potential (1) increase living standards (1) increase exports (1) • rise in the numbers employed in Haiti could increase tax revenue (1) may enable more spending on e.g. education (1) • fewer parents may leave behind dependent relatives (1) reduce burden on the government (1) • jobs could be found in other countries (1) **Award up to 4 marks for why it might not:** • wages may be higher in Chile (1) fewer emigrant workers may send money home (1) living standards may be lower (1) lower spending (1) • less money coming into the country (1) may increase a current account deficit (1) • job opportunities may be higher in Chile (1) unemployment may rise in Haiti (1) • if unemployment rises in Haiti, cost of unemployment benefits may rise (1) opportunity cost / higher taxation (1) • opportunities to gain new skills may be reduced (1) these skills could be brought back into the country (1)	**6**	For an approach which discusses whether or not the Haitian economy benefits from its people working in Chile, award a maximum of 3 marks.

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Question	Answer	Marks	Guidance
1(h)	• may reduce pressure to invest / spend on capital equipment (1) reduce advances in technology / reduce increases in efficiency / productivity (1) • may increase overcrowding / overpopulation (1) increase external costs / pollution (1) pressure on resources (1).		

Question	Answer	Marks	Guidance
2(a)	**Identify <u>two</u> basic necessities, other than housing.** Two from e.g.: Food, water, clothing, healthcare and education.	**2**	Accept any relevant basic necessity e.g. heating or electricty. If more than two examples given, only consider the first three.
2(b)	**Explain how frictional unemployment differs from cyclical unemployment.** Logical explanation which might include: Frictional unemployment arises from people being in between jobs (1) may be waiting for a better paid job / may be seasonally unemployed / may have worked on a short-term contract / may lack information about vacancies (1) may exist even when there is full employment / may be self-correcting (1). Cyclical unemployment is caused by a lack of total (aggregate) demand (1) more people unemployed than there are job vacancies (1) may arise from a recession / economic downturn (1) may need government action to reduce it (1). Frictional unemployment would be reduced by a rise in labour mobility (1) cyclical unemployment would not be (1). Frictional unemployment may be short term (1) cyclical unemployment may be long term (1).	**4**	Up to 2 marks for each type of unemployment.

Question	Answer	Marks	Guidance
2(c)	**Analyse why the children of the rich tend to become rich adults**. Coherent analysis which might include: The children of the rich tend to receive a good education (1) may not have to take part-time jobs / not have to help in family business when studying / not have to leave school early (1) become well qualified / well educated / gain high level of knowledge (1) become highly skilled / productive / efficient (1) find it is relatively easy to find employment / get a good job (1) well-paid (1). The children of the rich tend to receive good health care (1) good nutrition (1) have good housing (1) unlikely to miss time at school (1) unlikely to miss time at work (1) income will be high (1). The children of the rich tend to have high expectations (1) apply for better jobs (1). The children of the rich may inherit e.g. property (1) may gain income from e.g. inherited property / business / savings (1). Rich parents may have connections with e.g. bosses of major employers (1) more likely to gain high paid work (1).	**6**	Note the focus here is on the children of the rich so no marks for e.g. the children of the poor may lack education. Reference to highly skilled / productive or efficient may be linked to education, healthcare or nutrition but can only be credited once.

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<tr><td>2(d)</td><td>Discuss whether a government should provide subsidies to families to spend on housing.

In assessing each answer, use the table opposite.

Why it might:
• will increase the spending power of families who receive it
• may increase quantity supplied
• may give low-income families access to a basic necessity, reducing poverty
• may enable families to spend more on e.g. education
• may increase employment / reduce unemployment, creating jobs building housing / increase labour mobility
• may increase quality of housing and so improve health

Why it might not:
• rich can already afford housing
• some families may not spend it on housing
• may be inflationary, demand increasing for housing and e.g. furniture, carpets
• opportunity cost
• taxes may be raised to finance subsidy
• building more houses may result in environmental damage</td><td>8</td><td>
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Question	Answer	Marks	Guidance
3(a)	**Define *enterprise*.** Risk bearing (1) setting up / owning a business (1) key decision making / organisation of the other factors of production (1) profit incentive / profit is the reward (1).	**2**	
3(b)	**Explain the influence of opportunity cost on consumers' decisions.** Logical explanation which might include: Opportunity cost is the (next) best alternative (1) forgone / sacrificed (1). Consumers have limited income / time (1) have to make choices (1) cannot have everything they want (1) if buy more of one product may have to buy less of another / example of what product may be given up to buy another product (1).	**4**	

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Question	Answer	Marks	Guidance
3(c)	**Analyse why a firm may become more capital-intensive.** Coherent analysis which might include: The cost of capital may fall / the price of labour may rise (1) lowering costs of production (1) making the firm more price-competitive (1) may increase profits (1). Advances in technology (1) may improve the quality of capital (1) making it more productive / efficient (1) may increase the quality of products produced (1) raise demand for the products produced (1). Firms may want to reduce human error / more consistent quality / uniform products (1) reduce wastage (1). Firms may want to avoid disruption to production (1) caused by industrial action / strikes / sickness (1) capital equipment does not need to take breaks / can work 24 hours a day (1). There may be a shortage of labour (1) making it difficult to recruit workers (1). A government may reduce taxes on capital goods (1) provide subsidies (1) the rate of interest may be reduced (1) making capital goods more affordable (1). The firm's output may rise (1) reducing the average fixed cost of capital / benefiting from economies of scale (1).	6	

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<tr><td>3(d)</td><td>Discuss whether inflation harms a country’s industries.

In assessing each answer, use the table opposite.

Why it might:
• may increase costs of production
• may reduce competitiveness, lowering sales at home and abroad
• may upset industrial relations, workers pressing for wage rises
• may make it difficult to plan
• may discourage savings which can reduce funds available for investment
• corporation tax may be moved into a higher tax bracket
• may be menu costs / shoe leather costs

Why it might not:
• may be demand-pull inflation with demand for the firm’s products increasing
• may be low and stable
• may enable a firm to reduce the real cost of any debt
• may enable the firm to cut the real cost of wages
• may be lower than other countries’ inflation rates
• may not be foreign substitutes
• some industries may have inelastic demand</td><td>8</td><td>
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Question	Answer	Marks	Guidance
4(a)	**Define *birth rate.*** The number of births per thousand of the population (1) in a year (1) live births (1)	**2**	Not sufficient to have just number of births.
4(b)	**Explain <u>two</u> causes of an increase in the quality of labour in a country.** Logical explanation which might include: Improvements in education (1) qualifications / knowledge (1). Improvements in training (1) increasing skills (1). Improvements in healthcare (1) making workers physically/mentally stronger (1). Increases in pay (1) raising motivation (1). Improvements in nutrition (1) enabling workers to work harder / concentrate more (1). Reduction in working hours / length of working day (1) keeping workers fresher / enabling them to concentrate more (1). Improvements in working conditions (1) raising motivation / enabling workers to work harder / concentrate more (1) Immigration (1) of skilled workers (1). Experience (1) becoming more familiar with tasks (1). Specialisation (1) become more familiar with one task / 'practice makes perfect' (1).	**4**	One mark each for each of two causes identified and one mark each for each of two explanations.

Question	Answer	Marks	Guidance
4(c)	**Analyse how a rise in the interest rate could cause a recession.** Coherent analysis which might include: A higher interest rate would increase the cost of borrowing (1) reduce borrowing (1) reduce the spending power of people who have borrowed in the past (1) increase saving (1) consumer expenditure / spending may fall (1) investment may fall / may discourage MNCs (1) unemployment may increase / employment may fall (1) total demand may fall (1) the output of goods and services / GDP may fall (1) if output falls over a period of two quarters / six months there will be a recession (1). A higher interest rate may encourage more people to buy the currency (1) to put money into the country's financial institutions (1) raising the value of the foreign exchange rate (1) raising the price of exports (1) lowering demand for exports (1) reducing the price of imports (1) increasing demand for imports (1).	6	

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<table>
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<tr><td>4(d)</td><td>Discuss whether or not MNCs improve the economic performance of the host countries in which they operate.

In assessing each answer, use the table opposite.

Why they might:
• may bring in new technology and methods of production, increasing economic growth
• may create new jobs, may reduce unemployment
• may add to exports, reducing a current account deficit / increasing a current account surplus
• may create more competition / have greater efficiency, lowering inflation
• may increase tax revenue, enabling the government to spend more on e.g. education and healthcare

Why they might not:
• may drive out domestic producers, leaving the country’s output unchanged
• may employ workers from their home country
• may import capital equipment and raw materials from their home countries
• may deplete non-renewable resources, reducing sustainable economic growth
• may provide only low-skilled, low-paid jobs to locals
• send profits back to home country
• may cause external costs e.g. pollution</td><td>8</td><td>Help avoid a recession = one relevant identification.

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Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> functions of money.** Two from: Medium of exchange, store of value, standard of deferred payments, unit of account / measure of value.	**2**	Note: a description of the function gets the mark e.g. money can be used to buy and sell products, may be used to trade. Nothing for characteristics of money,
5(b)	**Explain <u>two</u> reasons why commercial banks may want to merge.** Logical explanation which might include: Greater market power/share (1) eliminating a competitor / providing a greater range of services (1). More opportunity to take advantage of economies of scale (1) lower costs of production / higher profit / example e.g. share ATMs (1). May enable the merged bank to operate in more than one country / become a multinational company (1) access to new market (1). Become better known (1) large banks may be more likely to have a brand image (1). May enable rationalisation (1) eliminate duplication / rase efficiency (1). Survival (1) may have been loss making / at risk of going out of business (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. Nothing for increase revenue.

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Question	Answer	Marks	Guidance
5(c)	**Analyse how a fall in a country's foreign exchange rate could increase employment.** Coherent analysis which might include: A fall in a country's foreign exchange rate will lower the price of exports (1) raise the price of imports (1) make domestically produced products more price competitive (1) reduce demand for imports (1) increase demand for exports (1) increase total demand (1) raise firms' revenue and/or profits (1) encourage firms to increase output (1) take on more workers (1).	**6**	

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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 or not it is an advantage to keep a firm small.

In assessing each answer, use the table opposite.

Why it might:
• flexible, less people to consult, more in touch with consumers
• may be able to provide more personal attention
• may receive government subsidies
• may be able to concentrate on a niche market
• may have good labour relations
• may avoid diseconomies of scale

Why it might not:
• may not be able to take advantage of economies of scale
• may be driven out of business by larger competitors
• may be difficult to raise finance
• risk of being taken over by a larger firm
• may have difficulty recruiting highly skilled workers
• may not have the resources to survive a fall in demand</td><td>8</td><td>Accept an answer based on the advantages that large firms have over small firms.

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