CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/21**

Paper 2 Structured Questions **May/June 2025**

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 2025 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 descriptions 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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standard isation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Uncertain what the candidate means – an illogical line of thought
	Benefit of the doubt
	Blank page
	Caret – a word is missing.
	Confused
	Cross
Highlighter	Highlight
	Nothing creditworthy
	Level 1

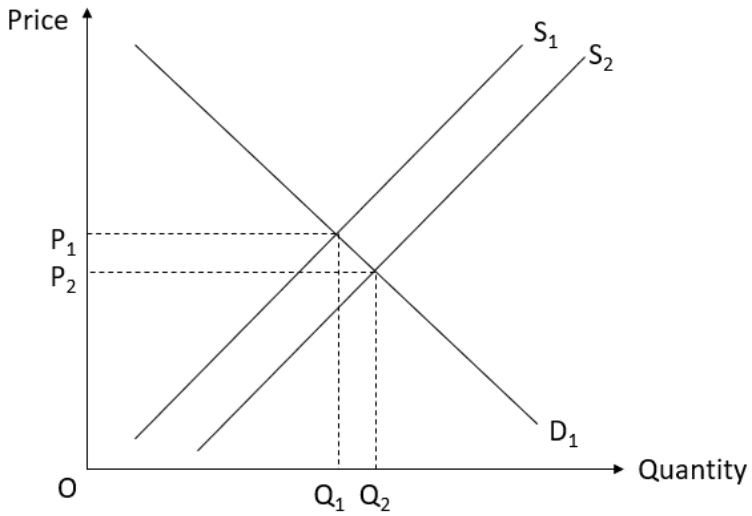
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Annotation	Meaning
L2	Level 2
L3	Level 3
MAX	MAX
NAQ	Not answered question
NE	Not established – a statement made without any support
REP	Repetition
SEEN	SEEN
	Tick – a credit worthy point
TV	Too vague
On-page comment	To be used when a candidate has misidentified a question they have answered e.g.: This is an answer to **Q4(c)** and not **Q5(c)**.

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Question	Answer	Marks	Guidance
1(a)	**Calculate the value of Gabon's oil production as a percentage of Gabon's GDP.** 30%.	**1**	Accept 30 without %.
1(b)	**Identify <u>two</u> external benefits of rainforests.** Two from: • reduce air pollution / pollution / improves air quality (1) • protect against floods (1) • prevent soil erosion (1).	**2**	If more than two benefits given, consider the first three.
1(c)	**Explain what effect an increase in tourism may have on Gabon's current account of the balance of payments.** • Increase in exports (1) • increase trade in services (invisible) surplus / reduces deficit (1) • Improves the current account balance surplus / reduces deficit (1).	**2**	No marks for simply saying current account of the balance of payments increases.
1(d)	**Explain <u>two</u> reasons why the Gabonese Government wants to reduce reliance on oil.** Logical explanation which might include: • Running out of oil / create a shortage (1) revenue from the industry will decline / employment in the industry will decline / GDP will decline /cause recession / conserve for future generations / may need to import oil / price for oil may rise (1). • Oil industry creates water pollution / pollution (1) an external cost / harms health / reduces standard of living / protect the environment / attract tourists (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. Only these two reasons are acceptable.

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Question	Answer	Marks	Guidance
1(e)	**Draw a demand and supply diagram to show the effect of the discovery of new gold deposits on the market for gold.** Coherent analysis which might include: D&S diagram: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New supply curve shifted to the right (1). Equilibriums – shown by lines P_1 and Q_1 and P_2 and Q_2 or equilibrium points marked as E_1 and E_2 (1).	**4**	

Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between the literacy rate and the percentage of the labour force employed in agriculture.** Coherent analysis which might include: **Expected relationship:** • Generally, an inverse / negative relationship (1) the higher the literacy rate, the smaller the % of the labour force employed in agriculture (1). **Supporting evidence:** • South Africa had the highest literacy rate and the lowest % of the labour force employed in agriculture (1). • Zambia / Sierra Leone / Mali had the lowest literacy rates and the highest %s of labour force employed in agriculture (1). **Analysis of expected relationship:** • A high literacy rate may increase the chance of workers gaining jobs in high paid tertiary jobs (1) a low literacy rate may mean workers have to undertake unskilled jobs in agriculture / a high proportion of workers employed in agriculture may mean that high literacy rate is not required (1). **Exception:** • Gabon (1) Gabon has a high literacy rate but also a high % of the labour force employed in agriculture (1). **Analysis of exception**: • Some jobs in agriculture are skilled / secondary and tertiary sectors may be small (1).	**5**	Responses do not have to be in the format suggested but they should address the expected/normal relationship, offer supporting evidence of that, highlight any exceptions to that, and analyse the overall data. Supporting evidence should involve interpretation, not just description. Simply stating percentages without analysis of being high or low gets no marks. Accept as analysis where two countries with different levels of adult literacy and percentage employed in agriculture are directly compared.

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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 a government should pay private sector firms to give work experience to unemployed young people.

Award up to 4 marks for logical reasons why it should, which may include:

• can enable young workers to develop their skills / raise their productivity (1) increase their confidence / motivation to get a job / get higher paid jobs (1) young people may make mistakes and cost firm money while being trained (1)
• can increase the chances of young people gaining a job (1) reduce unemployment (1) reduce the cost of unemployment benefits (1) reduce future training costs (1) increase tax revenue (1) leads to economic growth (1).

Award up to 4 marks for logical reasons why it should not, which may include:

• the quality of the work experience may not be good (1) the young may be given unskilled jobs (1) poor working conditions / not regulated (1)
• opportunity cost [implied] (1) government spending could be used to e.g. improve state education (1) government incurs additional expenditure / raises taxes to pay for it (1) the young may have been employed by the private sector without payment by the government (1)
• it may reduce the efficiency of private firms (1) reduce their output (1) firms may be corrupt (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></table></td></tr>
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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not a growth in the size of firms in Gabon's textile industry will reduce their average cost of production.** **Award up to 4 marks for logical reasons why it might**, which may include: • labour economies (1) workers can specialise / increase labour productivity (1) • managerial economies (1) employ specialists (1) • technical economies (1) using advanced capital equipment (1) • buying / purchasing economies (1) receiving a discount as buying in bulk (1) • selling economies (1) reducing transport costs (1) • marketing economies (1) spreads fixed costs over more output (1) • financial economies (1) easier / cheaper to borrow (1) • research and development economies (1) introduce new products / new production methods (1) • risk bearing economies (1) able to suffer fall in demand for one product or supply problems connected to one product (1) • may experience external economies of scale (1) example (1). **Award up to 4 marks for logical reasons why it might not**, which may include: • difficulty of controlling a large firm (1) may be slower to make decisions (1)	**6**	Maximum of 2 marks for just listing different types of economies and diseconomies of scale or just stating economies of scale and diseconomies of scale may be experienced without references to examples. Essentially full marks can be gained for identification and explanation of two economies of scale and one diseconomy of scale OR one economy of scale and two diseconomies of scale. Note there is no marks awarded for simply stating that average costs may or rise or for drawing a diagram showing average costs changing as a firm grows in size.

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Question	Answer	Marks	Guidance
1(h)	• communication problems (1) may be more difficult to keep everyone informed (1) • poor industrial relations (1) may be less contact between managers and workers / decreasing productivity (1).	**6**	

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Question	Answer	Marks	Guidance
2(a)	**Define *population pyramid.*** age (1) gender (1)	**2**	If more than two factors given, consider the first three.
2(b)	**Explain <u>two</u> reasons why income may become more unevenly distributed.** Logical explanation which might include: **A rise in:** • Unemployment (1) those who lose their jobs are likely to experience a fall in their income (1). • Illness (1) the sick may not be able to earn an income (1). • Profits (1) benefitting entrepreneurs (1). • Interest rates (1) benefitting those with a high value of savings (1). • Wealth (1) with rich people gaining more interest/profit (1). • Regressive taxation (1) reducing the income of the poor/placing greater burden on poor (1). • Discrimination of workers (1) example e.g. reducing income of women • Education provision / attainment (1) but only for some (1). **A fall in:** • National minimum wage (1) the low-paid experience a fall in income (1). • Progressive taxation (1) increases the income of the rich (1). • Welfare / state benefits (1) reduce the income of the poor (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. If more than two reasons given, consider the first three. MAX of two marks if not identifying what changes.

Question	Answer	Marks	Guidance
2(b)	**Growth:** • Economic growth (1) benefits go more to skilled than to unskilled workers (1). • Changes in growth rate of different industries (1). workers in expanding industries may earn more in wages than workers in declining industries (1). • Changes in growth rate of different regions (1) workers in high growth areas may earn higher wages than in low growth / declining regions (1). • Changes in growth rate of private and public sector (1) private sector earn higher increase in wages (1).	**4**	

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Question	Answer	Marks	Guidance
2(c)	**Analyse the influences on whether demand for shoes is elastic or inelastic.** Coherent analysis which might include: • Shoes have substitutes in the form of sandals and boots (1) may make demand (price) elastic (1) as a change in price will cause consumers to switch between different forms of footwear (1) especially if the types are close substitutes / close in price (1). • PED of particular brands of shoes will be more elastic than demand for shoes as a whole (1) • Proportion of income spent on the shoes (1) the lower the proportion, the more inelastic the demand (1) as a change in price will not have such a significant impact on demand (1). • Whether shoes are considered to be a necessity or a luxury (1) shoes are likely to be considered a necessity (1) and therefore inelastic (1). • It may not be possible to delay the purchase of shoes (1) making demand inelastic (1). • Durability of shoes (1) the more durable the more inelastic (1). • Demand for some shoe may be addictive (1) making demand inelastic (1).	**6**	

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<tr><td>2(d)</td><td>Discuss whether or not a mixed economic system will benefit the people who live in that economy.

In assessing each answer, use the table opposite.

Why it might:
• public goods may be provided
• production of demerit goods may be discouraged
• production of merit goods may be encouraged
• state benefits may be provided
• income may be redistributed to help the poor
• unemployment may be kept low by government policies
• private sector benefits e.g. generate high incomes / lower prices

Why it might not:
• may be market failure in the private sector
• rich may lose if there is high progressive taxation
• high taxation may discourage enterprise
• state-owned enterprises may be inefficient
• may be less choice in the public sector.</td><td>8</td><td>
<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>
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<tr><td>2(d)</td><td></td><td>8</td><td>
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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)	**Identify the rewards to capital and land.** • Interest (1) • rent (1)	**2**	If just names the two rewards, they can be in any order.
3(b)	**Explain <u>two</u> causes of a decrease in enterprise in an economy.** Logical explanation which might include: • Decrease in profit / increase in corporate income (corporation) tax (1) increase in interest rates for borrowing (1) reduce financial incentive to become an entrepreneur (1). • Reduction in education (1) reduce those with the skills to become entrepreneurs (1). • Reduction in immigration / reduction in population (1) reduce the number of people who can become entrepreneurs (1). • Entrepreneurs move abroad (1) better prospects / less tax (1). • Reduction in the retirement age (1) reduces supply of potential entrepreneurs (1). • Recession / war (1) firms may go out of business / reduces willingness to take risks / reduces confidence / certainty (1). • Increased government regulation (1) excessive rules may discourage entrepreneurs (1). • Nationalisation of an industry / growth of monopolies (1) removal of entrepreneurs (1).	**4**	One mark each for each of two causes identified and one mark each for each of two explanations. If more than two causes given, consider the first three. MAX of two marks if not identifying what changes.

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Question	Answer	Marks	Guidance
3(c)	**Analyse how changes in conditions of supply can affect a firm's prices.** Coherent analysis which might include: • Increase in costs of production (1) due to rise in wages / raw material costs / capital goods costs / tariffs (1) raise price (1) to maintain profit (1). • Natural disasters (1) can create a shortage (1) raise price (1). • Changes in weather (1) good weather can create a surplus in supply e.g. agriculture (1) prices fall (1) or poor weather can create a shortage (1) prices rise (1) • Increase in indirect tax / corporate income (corporation) tax (1) a firm may pass this onto consumers as higher prices (1) especially if demand is inelastic (1). • Government subsidies to firms (1) reduce the cost of production (1) the firm may be able to gain the same revenue and profit (1) with a lower price (1). • Discovery of new source of raw materials (1) enabling the firm to supply (1) more at a lower price (1). • Advances in technology (1) example (1) could lower costs of production (1) reducing price (1). • Improvements in education and training (1) raise productivity (1) lower prices (1).	**6**	Only allow one mark for reference to a rise in price and one mark for reference to a fall in price. MAX 4 marks if not identifying change in conditions of supply.

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not a rise in a national minimum wage will harm an economy.

In assessing each answer, use the table opposite.

Why it might:
• increase unemployment if firms cannot afford to pay higher wages
• higher unemployment would reduce total demand
• lower total demand would reduce output
• tax revenue may fall, and expenditure on state benefits may rise
• if higher wages are paid, there may be inflation.

Why it might not:
• reduce poverty as raise the income of the low-paid
• encourage more people to enter the labour force
• increase productivity as workers may be more motivated
• encourage firms to train workers to gain better return
• may be set below the existing equilibrium wage level.</td><td>8</td><td>Accurate diagram can achieve Level 1.

<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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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> macroeconomic aims of government that may conflict.** • Full employment / low unemployment (1) and price stability (1). • Economic growth (1) current account balance (1). • Price stability (1) redistribution of income / poverty reduction (1). • Economic growth (1) economic sustainability (1).	**2**	If more than two macroeconomic aims given, consider the first three. Allow any macroeconomic aim.
4(b)	**Explain <u>two</u> reasons why a country may have a high population growth rate.** Logical explanation which might include: • High birth rate (1) due to e.g. low age of marriage / lack of education on birth control (1). • Low death rate / high life expectancy (1) due to e.g. good quality healthcare (1). • Immigration /net immigration (1) due to e.g. high incomes (1). • High fertility rates (1) due to e.g. young female population (1). • Birth rate higher than the death rate (1) results in higher natural growth rate (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. If more than two reasons given, consider the first three.

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Question	Answer	Marks	Guidance
4(c)	**Analyse how a cut in the corporation (corporate income) tax rate can increase economic growth.** Coherent analysis which might include: • Cut in corporation (corporate income) tax will increase the amount of profits that can be kept by firms (1) may attract MNCs to country (1) this will increase the funds firms have to spend (1) on capital goods (1) and increase incentive to invest (1) more to spend on wages (1) may create job opportunities / reduce unemployment (1) raise consumer expenditure (1) firms grow faster (1). • Higher investment (1) will increase total demand (1). It may also increase the quality of capital goods (1) may introduce new technology (1) may increase productivity /productive capacity (1) increase output / GDP (1). • Provide an incentive to enterprise (1) as more profits can be retained / higher profits (1).	**6**	Do not credit answers that refer to income tax or any other tax than corporation tax.

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<tr><td>4(d)</td><td>Discuss whether or not a decrease in government spending will reduce inflation.

In assessing each answer, use the table opposite.

Why it might:
• may reduce total demand
• lower total demand may reduce demand-pull inflation
• if near full employment, lower demand may have a significant impact on inflation
• may reduce need for taxes, lower indirect taxes may reduce prices.

Why it might not:
• lower government subsidies may raise prices
• lower government spending on education and training may reduce productivity and may increase cost of production
• lower government spending on infrastructure could increase transport costs
• higher costs of production may increase cost-push inflation
• may be other causes of inflation e.g. rise in wages</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> benefits an MNC may provide for its home country.** Two from: • profits • (increased) exports • raw materials • job opportunity / wages for workers • raise country's income	**2**	If more than two benefits given, consider the first three. Identify means that the benefit does not have to be explained.
5(b)	**Explain <u>two</u> disadvantages of import tariffs.** Logical explanation which might include: • Reduce (free) trade (1) lower competition (1) . • Risk of retaliation (1) resulting in trade war / unemployment (1). • Raise price of imports (1) which may raise price of domestically produced goods (because of the lack of competition) (1) . • Raise the price of imported raw materials / capital goods (1) cause cost-push inflation (1) . • Reduce quality (1) due to lower competition (1) • Protected industries / infant industries / declining industries may become inefficient (1) if become reliant on tariff (protection) (1). • Reduce output / consumption / less quality / less choice (1) lower living standards (1). • Reduce ability of countries to specialise (1) less efficient use of resources / loss of potential economies of scale (1).	**4**	One mark each for each of two disadvantages identified and one mark each for each of two explanations. If more than two disadvantages given, consider the first three. Only allow one mark for reference to lower competition.

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Question	Answer	Marks	Guidance
5(c)	**Analyse how an increase in investment can result in a rise in a country's HDI value.** Coherent analysis which might include: • Investment can increase GDP / GNI (1) employment (1) which may increase GDP/ GNI per head (1) higher GDP/ GNI may raise tax revenue (1) enabling the government to spend more on education and healthcare (1). • Higher personal income / wages (1) enabling families to afford sending children to school (1) pay for private healthcare (1). • An increase in investment in healthcare facilities (1) can increase life expectancy (1). • An increase in investment in education (1) will increase mean / expected and expected years of schooling (1) increase skills/productivity (1) which may increase GDP per head (1) raise awareness about nutrition (1) increase life expectancy (1). • An increase in investment may introduce more advanced technology (1) which can make work less physically demanding (1) improving health / life expectancy (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 having a floating exchange rate benefits an economy.

In assessing each answer, use the table opposite.

Why it might:
• may eliminate a current account imbalance
• if there is a current account deficit, exchange rate may fall making exports fall in price and imports rise in price
• no need to keep reserves of foreign exchange
• no need to change interest rates to influence the exchange rate
• enable government to concentrate on other aims as does not have to keep the exchange rate fixed.

Why it might not:
• may make it difficult for firms to plan, not knowing how much they will have to pay for imports and earn from exports
• may create uncertainty
• discourage investment
• speculation can cause (significant) destabilising changes in the exchange rate.</td><td>8</td><td>
<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 sided 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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<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>
</table>
Note: reward candidates if they refer to the impact of appreciation and depreciation of the currency in their answers.
</td></tr>
</table>

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