CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

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
BOD	Benefit of the doubt
BP	Blank page
	Caret – a word is missing.
CON	Confused
	Cross
Highlighter	Highlight
L0	Nothing creditworthy
L1	Level 1

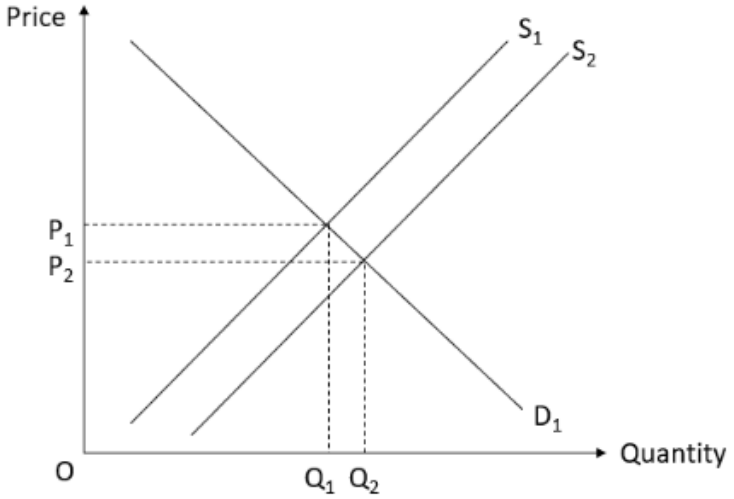
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Annotation	Meaning
L2	Level 2
L3	Level 3
MAX	MAX
NAQ	Not answered question
NE	Not established – a statement made without any support
REP	Repetition
SEEN	SEEN
	Tick – a credit worthy point
TV	Too vague
On-page comment	To be used when a candidate has 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	Mark	Guidance
1(a)	**Calculate St. Kitts and Nevis's Government budget deficit in 2022.** $18 m / – $18 m (1).	**1**	Accept 18m. ($)18 000 000 / – ($)18 000 000.
1(b)	**Identify <u>two</u> examples of the factor of production land in St. Kitts and Nevis.** Two from: beaches (1), (coral) reefs (1), marine life / fish (1) rainforests (1) and soil (1).	**2**	If more than two examples given, consider the first three.
1(c)	**Explain how tourism causes external costs in St. Kitts and Nevis.** • Social costs are greater than private costs / social costs include private costs and external costs / harmful effects on third parties / those not directly involved in producing or consuming the product (1). • Example of an external cost caused by tourism in St Kitts and Nevis e.g. pollution / environmental damage / death of wildlife / death of marine life / overcrowding (1).	**2**	One mark for explanation of external costs. One mark for example based on tourism.

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Question	Answer	Mark	Guidance
1(d)	**Explain <u>two</u> reasons why a foreign bank may open a branch in St. Kitts and Nevis.** Logical explanation which might include: • High incomes in the country (1) high demand for banking services / high demand for loans / may save more / borrowers likely to be able to repay loans / high profit / high revenue (1). • Absence (low) of personal income tax (1) workers would be able to keep all of their income / more disposable income / firms may be able to pay lower wages / increase workers' motivation (1). • Relatively high literacy rates (1) awareness of benefits of having a bank account / saving / skilled workers / high productivity (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. Most of the explanation points e.g. high profit could be linked to any of the three identification points except high disposable income should be linked to absence of personal income tax. Do not give two explanation marks for one identification. Explanation marks here are dependent on the identifications.
1(e)	**Draw a demand and supply diagram to show the effect of an increase in the productivity of onion farmers on the market for onions.** 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	

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Question	Answer	Mark	Guidance
1(f)	**Analyse the relationship between healthcare spending as a percentage of GDP and life expectancy.** Expected relationship: Direct / positive relationship (1). Generally, the higher healthcare spending, the higher the life expectancy (1). Supporting evidence: E.g.: Haiti has the second lowest % healthcare spending and the shortest life expectancy (1) Canada spends a higher % on healthcare than Egypt and has a longer life expectancy / Canada spends the highest percentage on health care and has the second highest longest life expectancy / Canada and Sweden spend a high % on healthcare and have long life expectancy (1). Analysis of the supporting information: Higher spending on healthcare would be expected to raise the health of the population / provide better quality healthcare (1) increase awareness of need for healthy living / provide more check-ups / preventative medical care / reduce the death rate (1). Exception: Monaco (1) spends the lowest % on healthcare but has the longest life expectancy (1). Analysis of exception: 1.9% of a very high GDP can mean higher spending than e.g. 12.9% of a lower GDP / Monaco may have a high GDP (1). There are other influences on life expectancy e.g. nutrition / education/housing/war (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.

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not an increase in the size of its fishing industry would benefit St. Kitts and Nevis.

Award up to 4 marks for logical reasons why it might, which may include:
• may reduce imports of fish (1) reduce risk of supply-side shocks / imports being cut off (1) enable fish to be exported (1) may improve the current account balance / improve the balance of payments (1)
• may increase employment / increase job opportunities / reduce unemployment (1) raise incomes (1) increase living standards (1) increase GDP / increase output / cause economic growth (1) higher tax revenue (1)
• may enable greater advantage to be taken of economies of scale (1) example (1) lower average cost (1) lower fish prices (1)
• (larger boats) may be more efficient / more productive (1) make the industry more profitable / increase profits from fishing (1).</td><td>6</td><td>Award one mark in total for higher / lower average costs, one mark for lower / higher fish prices, one mark for higher / lower profits (1).

Higher / lower profits should be linked to the fishing industry.

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>
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Question	Answer	Mark	Guidance
1(g)	Award up to 4 marks for logical reasons why it might not, which may include: • opportunity cost (1) could use resources in other industries / government can spend more on e.g. education / increase budget deficit (1) • over-fishing (1) deplete fish stocks / lose marine life / deplete resources (1) raise fish prices in the long run (1) • may experience diseconomies of scale (1) example (1) higher average cost (1) reduce profit (1) • may cause external costs / environmental harm (1) may damage coral reefs / cause pollution (1) harm tourism (1) • may be a dangerous occupation (1) may be low-paid (1) low-skilled (1) may experience seasonal unemployment (1) • risk of over specialisation / too great a dependency on the industry (1) may be harmed by a fall in demand for fish / rise in competition from other countries (1).		

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Question	Answer	Mark	Guidance
1(h)	**Discuss whether or not deflation is likely to have harmed St. Kitts and Nevis.** Award up to 4 marks for logical reasons why it might, which may include: • may have increased real value of debt (1) may default (1) may have decreased investment (1) • may have resulted in a deflationary spiral (1) may have resulted from lower total demand (1) lower GDP / lower output / reduce economic growth / may cause a recession (1) lower employment / increased unemployment (1) lowered wages / income (1) • may reduce confidence (1) may discourage MNCs (1) • may reduce consumer expenditure / save more / create uncertainty (1) delay buying goods and services (until price is lower) (1). Award up to 4 marks for logical reasons why it might not, which may include: • may have increased purchasing power / real income / with the same income more goods and services can be purchased (1) (some) people may spend / consume more (1) • value of saving may have increased (1) increasing wealth (1) • may be the result of higher total supply (1) due to advances in technology / lower costs of production (1) higher output / economic growth (1) higher employment (1) • may have increased international competitiveness of its products / lower export prices (1) increased exports / export revenue (1) reduced imports / import expenditure (1) improve current account balance (1).	**6**	Award one mark for malign (bad) deflation is harmful whereas benign (good) deflation is beneficial. Mark for higher employment and mark for higher GDP can only be awarded if come from higher total supply. 'save more' may be credited on either side but only once.

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Question	Answer	Mark	Guidance
2(a)	**Identify <u>two</u> advantages a firm may gain from merging with another firm.** Two from: • reduce competition / increase market power / increase market share / may become a monopoly / become a price maker / higher barriers to entry • gain economies of scale / reduce (average) cost / increased efficiency / higher productivity • gain control over outlets • gain control over raw materials • rationalisation • greater profit / revenue • new ideas / access to improved technology • spread risks • more resources / more labour / more capital / more enterprise / more land • higher demand / more sales / larger size of firm • gain consumer data	**2**	If more than two advantages given, consider the first three.

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Question	Answer	Mark	Guidance
2(b)	**Explain <u>two</u> disadvantages workers may experience as a result of losing their jobs.** Logical explanation which might include: Loss of income (1) resulting in lower living standards / lower quality of life / poverty / inability to buy necessities / lower purchasing power / lower spending / lower consumption / lower spending on a particular good or services e.g. education/healthcare/housing/holidays (1). Loss of skills (1) may need to gain new skills / as miss out on training / make it more difficult to get another job / lower paid job / reduced mobility of labour (1). May be more likely to get into debt (1) harder to repay any past loans (1). Harder to get a loan (1) banks may not expect them to be able to repay loan (1). Loss of fringe benefits (1) example e.g. health insurance / home (1). Less attractive to future employers / bad reputation (1) make it more difficult to get another job (1). Mental health problems / stress / illness / divorce (1) loss of self-esteem / loss of self-confidence / making it more difficult to get another job / reduced life expectancy / due to difficulty/time to find another job (1). May have to sell possessions (1) to gain money / to meet bills (1). Demotivation (1) give up looking for work / become a discouraged worker / become voluntarily unemployed (1). Reduced ability to save (1) reduced ability to cope with unexpected events / to finance e.g. education / healthcare / retirement (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. Reward 'making it more difficult to get another job' only once.

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Question	Answer	Mark	Guidance
2(c)	**Analyse the advantages of an increase in labour mobility.** Coherent analysis which might include: • An increase in the ability of workers to change jobs / provide more choice of jobs (1) occupational mobility of labour (1) improve skills / productivity / experience by changing jobs (1). • An increase in the ability of workers to move from one area to another (1) geographical mobility of labour (1) move to a more pleasant area (1). • Can reduce structural / regional / frictional (1) unemployment (1) enable workers to get new jobs more quickly / reduce long term unemployment (1) may enable some workers to find higher paid jobs / gain higher wages / reduce poverty / higher standard of living / better working conditions (1) raise tax revenue / reduce government spending on benefits (1). • It can reduce labour shortages (1) reduce costs / cost-push inflation (1) increase output / increase GDP / cause economic growth (1). • It can enable firms to respond more quickly/more fully to changes in consumer demand / increase flexibility / change in size (1) reduce surpluses and shortages of products (1).	**6**	Reward but do not expect reference to reduce labour market failure.

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not the demand for chocolate is likely to be price elastic.

In assessing each answer, use the table opposite.

Why it might:
• may have substitutes
• may be seen as a luxury
• PED of particular brands will be more elastic than demand for chocolate as a whole
• the longer the time period, the easier it will be for consumers to change their spending patterns.

Why it might not:
• may be addictive
• may be seen as a necessity
• may take up a small % of income.</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>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	Mark	Guidance
3(a)	**Identify what is measured on the axes of a production possibility curve.** (Output of) two types of product (2). Output (1) one type of product (1) another type of product (1).	**2**	Two types of products may be shown on the axes on a PPC diagram for two marks. If more than two items are given, consider the first three.
3(b)	**Explain, with an example of each, the difference between a merit good and a public good.** Logical explanation which might include: A merit good is under-consumed / underproduced / consumers do not appreciate its full value / has external benefits / can be produced by the private sector / can be produced by the private sector and the public sector / is a private good / is rival and excludable (1) e.g. education / healthcare / fruit (1). A public good would not be produced by the private sector / is (usually) supplied / produced by the government / funded by the government (1) non-excludable / non-rival (1) e.g. street lighting / defence / flood control (1).	**4**	One mark for an explanation of a merit good and one mark for an example of a merit good. One mark for an explanation of a public good and one mark for an example of a public good. Accept but do not expect reference to non-rejectable / zero cost of producing an extra unit for a public good. Allow public park. No mark for roads unless qualified by e.g. uncrowded roads with many entry and exit points.

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Question	Answer	Mark	Guidance
3(c)	**Analyse how division of labour can benefit firms.** Coherent analysis which might include: • Workers can specialise (1) in what they are best at producing (1) save time / speed up production (1) reduce waste (1) reduce mistakes (1) increase productivity /skill / efficiency (1) increase output / supply (1) lower (average) cost (1). • Increase quality (1) lower prices (1) raise demand / increase sales (1) increase revenue (1) increase profits (1). • Make it easier to mechanise production (1) reduce labour required (1). • Reduce training / training costs (1) as reduce tasks undertaken / division of labour involves breaking production down into different tasks (1).	**6**	

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<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not consumers would benefit from only one firm producing shampoo.

In assessing each answer, use the table opposite.

Why they might:
• one firm may be able to benefit from economies of scale
• lower average cost may lead to lower prices
• firm may spend a large amount on research and development due to high profits and security
• quality of product may be high
• less time / less effort choosing shampoo.

Why they might not:
• lack of competition may drive up prices
• lack of choice
• if quality is poor, cannot switch to substitutes
• firm may experience diseconomies of scale.</td><td>8</td><td>
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Question	Answer	Mark	Guidance
4(a)	**Identify <u>two</u> types of unemployment.** Two from: Frictional (1) structural (1) cyclical / demand deficient (1)	**2**	If more than two types given, consider the first three. Also accept voluntary unemployment, involuntary unemployment, seasonal, classical, casual, regional, technological. Accept demand-deficient as an alternative to cyclical.
4(b)	**Explain <u>two</u> ways that money received from relatives working abroad could raise their families' living standards.** Logical explanation which might include: Could spend more on food / buy more products / buy more basic necessities have higher purchasing power / more income / could increase overall spending (1) reduce poverty (1). Could spend more on better quality food (1) improve nutrition / improve health (1). Could spend money on education / training (1) increase earning potential / wages (1). Could spend on healthcare (1) raise life expectancy (1). Could spend on housing (1) reduce illness (1). May be able to afford luxuries (1) e.g. may be able to afford a holiday / car (1). Could set up a small business (1) which could earn them an income (1) Could pay off debts / reduce need to borrow / reduce cost of borrowing (1) reduce stress (1). Could save more (1) earn interest / pay for e.g. healthcare/education of children in the future (1) Could work fewer hours / fewer jobs (1) less stress (1).	**4**	One mark each for each of two ways identified and one mark each for each of two explanations. If more than two ways given, consider the first three. No marks for why the money received may be large due to e.g. lower tax rates abroad, high exchange rate.

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Question	Answer	Mark	Guidance
4(c)	**Analyse how an increase in direct taxation could increase unemployment.** Coherent analysis which might include: • (Increase in) (personal) income tax (1) (increase in) tax on wealth (1) would reduce disposable income / purchasing power / money available / the amount of their wages they can keep (1) reduce consumer spending (1) lower total demand (1) lower demand for workers (1) as demand for workers depends on demand for goods and services / derived demand (1) increase cyclical unemployment (1). • Reduce incentive to work / encourage workers to leave their jobs (1) may now rely on unemployment benefit / as may receive more from unemployment benefit than from a now lower paid job (1) increase frictional/voluntary unemployment (1). • (Increase in) corporation (corporate income) tax (1) will reduce the amount of profit that can be kept / reduce profit (1) firms may reduce output / reduce economic growth / may cause a recession / reduce supply / less incentive to expand (1) reduce investment (1) result in cyclical unemployment (1) may reduce employment to cut costs (to maintain profit) (1).	**6**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Discuss whether or not a doctor would benefit from working in another country.

In assessing each answer, use the table opposite.

Why they might:
• may be higher paid, higher living standards
• may benefit from lower inflation
• may benefit from lower taxes
• may be more chances of gaining a job or gaining a promoted post
• may have better working conditions
• may have more fringe benefits
• may gain new skills and experience
• may be safer environment
• may be able to send money home to family
• may provide better opportunities for their children.

Why they might not:
• may have longer working hours
• may have less holidays
• may have less job security
• may miss friends / relatives
• may face discrimination
• may face language problems/ cultural differences.</td><td>8</td><td>Maximum of 4 marks if discussing working in another city rather than country.

<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>4(d)</td><td></td><td></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>
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Question	Answer	Mark	Guidance
5(a)	**Identify <u>two</u> influences on household spending.** Two from: • income • interest rate • taxation • confidence • inflation rate / cost of living / prices / price • wealth • age • size of household • culture • advertising • quality • tastes	**2**	If more than two influences given, consider the first three.

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Question	Answer	Mark	Guidance
5(b)	**Explain <u>two</u> advantages of employing older workers.** Logical explanation which might include: • May be more experienced (1) may have high productivity / high efficiency / high skills (1). • May make few mistakes (1) produce high quality products (1). • May be reliable / easy to manage (1) punctual / carry out duties carefully (1). • May need little training / may have received more training (1) keep firms' costs low (1). • May be less likely to take maternity / paternity leave (1) less disruption to output / lower costs (1). • May train young workers (1) pass on experience (1). • May be less likely to leave job (1) in search of a better paid job (1). • May keep older people healthy (1) lowering healthcare costs / increasing life expectancy (1). • May increase the incomes of older people (1) reducing poverty (1). • May increase the size of the labour force (1) encourage more older workers to seek employment / increase productive potential (1). • Make older people more financially independent (1)reduce financial burden on family / government (1). • May be prepared to work fewer hours (1) make firms more flexible (1). • May be prepared to work for relatively low wages (1) in order to e.g. stay active (1). • May relate better to older customers (1) a growing market in most countries (1).	**4**	One mark each for each of two advantages identified and one mark each for each of two explanations. If more than two advantages given, consider the first three. There is an element of mix and match here with some explanations being linked with different identifications but do not reward the same point twice. Award increase in incomes rather than increase in wages.

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Question	Answer	Mark	Guidance
5(c	**Analyse how an increase in household spending could cause inflation.** Coherent analysis which might include: Household spending / consumer expenditure / consumption is a component of total demand (1) An increase in household spending would increase total demand (1). Total demand could exceed total supply (1) higher demand may encourage firms to raise prices (1) resulting in demand-pull inflation (1). An increase in household spending could encourage firms to invest / increase investment (1) increase their output (1) they may hire more workers (1) this may drive up wages (1) increase demand for raw materials / capital goods (1) raise price of raw materials / capital goods (1) increase costs of production (1) cause cost-push inflation (1) cause a wage price spiral (1).	**6**	Formula AD = C + I + G + (X – M) can be taken as recognition that C is a component on total demand. Higher total (aggregate) demand and prices being pushed up can be shown on a diagram – one mark each. Reward but do not expect reference to the multiplier effect.

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<tr><td>5(d)</td><td>Discuss whether or not a government should aim for an increase in imports.

In assessing each answer, use the table opposite.
Why it should:
• may save scarce resources
• may reduce shortages in the home market
• may lower the exchange rate
• may increase choice and quality of products in the home market
• may import technology
• may reduce firms' costs by importing low price raw materials and capital goods
• may increase competition, making domestic firms more efficient
• may increase revenue from import tariffs
• may enable a country to consume more than it produces in the short term
• may increase incomes abroad raising demand for this country's exports.

Why it should not:
• may worsen the current account balance
• may cause some domestic firms to go out of business
• may reduce exchange rate
• may reduce employment
• may lower incomes / GDP per head
• may lower living standards in the long term
• will not want to import demerit goods.</td><td>8</td><td>
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<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>
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