UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

0455 ECONOMICS

0455/32 Paper 3 (Analysis and Critical Evaluation), maximum raw mark 40

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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1 (a) (i) Human Development Index (HDI) value in 2008 = 0.32. [1]

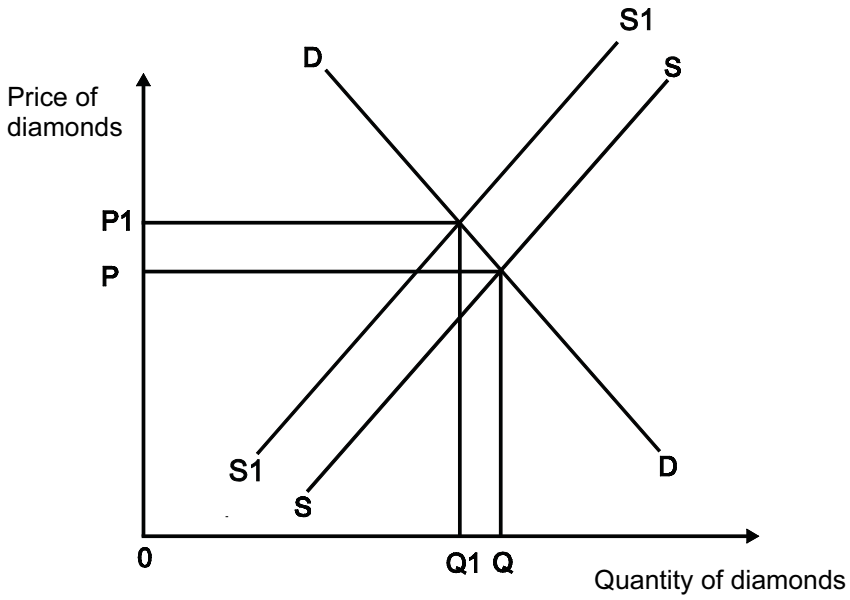
(ii) 1 mark each for identifying two components of HDI from:
- GDP (GNI) (per capita)
- life expectancy
- adult literacy (mean years of schooling)
- school enrolment (expected years of schooling).

Note: if adult literacy (mean years of schooling) and school enrolment (expected years of schooling) are not given, can accept education for 1 mark. [2]

(b) (i) Formula for price elasticity of demand (PED):
PED = % change in quantity demanded/% change in price (2).
PED = change in quantity demanded/change in price (1). [2]

(ii) Price elastic (1) as it states demand for diamonds is very sensitive to price (1). [2]

(c)



1 mark for correct labels.
1 mark for shift of the supply curve to the left.
1 mark for correct equilibriums.
1 mark for mentioning the quantity traded would have fallen.
1 mark for mentioning that a decrease in supply would increase price.
Note: maximum mark of 4. [4]

(d) 1 mark for workers changing jobs – mining to agriculture (1).
1 mark for firms changing the products they produce – diamonds to gold/other minerals/capital. Enterprise or land if the change is identified (1). [2]

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(e) Reasons why it might:
- generate employment
- earn foreign currency
- improve the current account position
- contribute to economic growth
- increase tax revenue.

Reasons why it might not:
- may push up the exchange rate and make other products less internationally competitive
- may damage areas of natural beauty
- lower demand for diamonds in the future
- risk of overspecialisation.

Up to 4 marks for a one-sided approach or a list-like approach. [7]

2 **(a)** 1 mark for output per worker/output per time period/output per worker hour. [1]

(b) **(i)** It has risen (1) more slowly (1). [2]

(ii) Increased government spending (on infrastructure and social services) (1) and remittances (1).
2 marks if two reasons are identified or one reason is identified and explained. [2]

(c) A subsidy is a payment to firms/reduces costs of production (1).
A subsidy would be expected to increase the supply of housing (1), higher supply would lower price (1) making it more accessible to the poor (1) and raise living standards (1).
A rise in house-building may create jobs (1), some of which may be undertaken by the previously unemployed (1) higher employment may generate other jobs/have a multiplier effect (1) and so raise living standards (1).
Note: credit multiplier approach but not required.
Note: maximum mark of 4. [4]

(d) **(i)** Malaysia (1), $7000/relevant workings (1).

(ii) 1 mark for its population falls further than its GDP/fall in population size. [3]

(e) Up to 4 marks for identification of factors, for example:
- changes in rates
- coverage
- tax evasion
- GDP
- price elasticity of demand
- rise in population
- level of imports.

Up to 5 marks for commenting on factors, for example:
- tax revenue may rise if rates increase/decrease,
- if the tax base is increased,
- if tax evasion is reduced and GDP increases.

Note a maximum of 8 marks. [8]

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