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

0455/33 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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

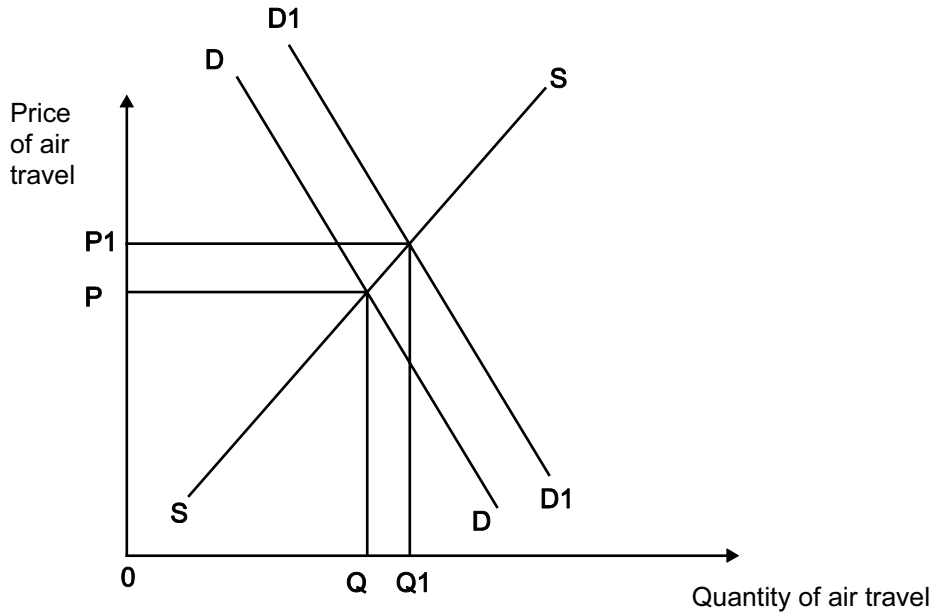
- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

1 **(a)** 1 mark for full employment/lower unemployment.
1 mark for increasing GDP/economic growth. [2]

(b)



1 mark for labels.
1 mark for shift of the demand curve to the right.
1 mark for correct equilibriums.
1 mark for mentioning that the quantity of air travel bought and sold would increase.
1 mark for mentioning that the increase in demand would tend to increase the price of air travel.
Note: maximum mark of 4. [4]

© University of Cambridge International Examinations 2011

(c) (i) Employment:
It would be expected to increase employment (1). More jobs will be created in the tourism industry (1) and more employment created in infrastructure (1). Higher employment will lead to more spending, which will generate more jobs (1). Impact on employment will depend on the extent of the rise (1). Some jobs may be filled by people outside the country (1), some jobs may be seasonal (1). Tax revenue may rise (1), which will enable the government to spend more on increasing the skills of the labour force (1).

Maximum of 4 marks. [4]

(ii) Wages:
It would be likely to raise wages (1) as demand for labour would increase/raise ability of firms to pay higher wages (1).
Note: accept a diagram which shows demand for labour shifting to the right and wages increasing for 2 marks. [2]

(d) Spain. [1]

(e) Up to 4 marks for identification of relevant information, for example:
- level of capacity at any existing airports
- direct and indirect effect on employment
- effect on ease of travel to and from the city
- where the airport is built
- effect on air
- noise and visual pollution
- private costs
- private benefits
- external costs
- external benefits.

Up to 4 marks for commenting on the relevant information, for example: will be more beneficial if any existing airport is working at full capacity, the building of an airport will employ building workers, may increase tourism and may attract new firms into the city but the airport may be built on land of outstanding natural beauty and the pollution resulting from the airport may reduce the quality of people's lives. A cost-benefit analysis could be conducted to assess whether the building of the airport would be beneficial.
Note: a maximum of 3 marks if the answer just discusses whether the building of a new airport would benefit the inhabitants of a city without reference to the information needed. 2 marks if this approach is one-sided. [7]

2 (a) $11.2bn (1) (80% of $14bn). [1]

(b) (i) A cost that does not vary (1) with output/in the short run (1). [2]

(ii) 1 mark for rent. (Also accept wages.) [1]

© University of Cambridge International Examinations 2011

(c) 1 mark for each of two reasons identified:
- supply exceeds demand/unemployed garment workers
- not unionised
- low skilled
- workers are mainly female
- minimum wage is set low.

1 mark for each of two explanations, for example:
- excess supply gives employers strong bargaining power
- non-unionised workers have limited bargaining power
- female workers tend to receive lower pay
- the wage floor set by the government is lower in the garment industry than in most industries. [4]

(d) (i) 2 marks for an industry which uses a high proportion of labour/workers relative to capital/ advanced technology.
1 mark for an industry which uses a high amount of labour/number of workers. [2]

(ii) 1 mark for each of two internal economies of scale identified, for example:
- buying economies
- financial economies
- managerial economies.

1 mark for each of two explanations linked to the garment industry, for example:
- a large garment firm will be able to buy buttons in bulk and so receive a discount
- a large garment firm may be well known and so may be able to borrow more easily and at a lower rate
- a large garment firm may be able to employ specialist buyers of fabric. [4]

(e) Up to 4 marks for identifying the factors that could influence whether Bangladesh's garment industry will sell more garments in the future, for example:
- costs of production
- changes in incomes abroad
- import restrictions
- the exchange rate
- performance and number of competitors.

Up to 4 marks for commenting on the factors, for example: a rise in costs of production in Bangladesh due to higher wages, a fall in incomes abroad would be likely to reduce sales, the imposition of trade restrictions on Bangladesh garments would raise their price which would be likely to reduce sales, a rise in the exchange rate would make exports from the country more expensive and other countries might start producing garments or might gain a price advantage or raise the quality of what they produce. [6]

© University of Cambridge International Examinations 2011