Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

Paper 2 Structured Questions **October/November 2022**

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 October/November 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **24** printed pages.

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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.

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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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Common examiner annotations on 0455/2281/0987 and 2286

	Uncertain what the candidate means – an illogical line of thought		MAX	MAX
BOD	Benefit of the doubt		NAQ	Not answered question
BP	Blank page		NE	Not established – a statement made without any support
	Caret – a word is missing.		REP	Repetition
CON	Confused		SEEN	SEEN
	Cross			Tick – a credit worthy point
	Highlight		TV	Too vague
L	Nothing creditworthy			
L1	Level 1			
L2	Level 2			
L3	Level 3			

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Question	Answer	Marks	Guidance
1(a)	**Calculate the price elasticity of supply of Ecuador's oil.** 0.16 (1).	**1**	Do not accept 16%
1(b)	**Identify <u>two</u> key resource allocation questions.** What to produce / produce less of one product and more of another product / less oil and more textiles (1). How to produce it / how products are made / using fewer capital goods (1).	**2**	Do not accept: How much to produce or for whom to produce
1(c)	**State why sunshine has no opportunity cost.** It is a free good (1). In unlimited supply / not scarce / a renewable source of energy (1). Does not take resources to produce it / nothing needs to be sacrificed to use it / no alternative / substitute so no opportunity cost (1). It is there naturally (1).	**2**	

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Question	Answer	Marks	Guidance
1(d)	**Explain <u>two</u> reasons why Ecuador experienced a recession between 2014 and 2016.** **Logical explanation which might include:** Fall in demand for exports [of oil] (1) lower export revenue / increase current account deficit / lower output of oil / lower total demand / lower GDP (1). Decrease in government spending (1) lower employment / lower output / lower income from benefits / lower total demand / lower GDP (1).	**4**	One mark for each of two reasons identified and one mark for each explanation.
1(e)	**Analyse how building more roads can increase a country's economic growth rate.** Building more roads would increase employment)1) lower unemployment (1) increase demand for road building materials (1) increase in government spending on roads (1) increase incomes (1) leading to higher demand / expenditure on goods and services e.g. education / cars (1). Less congestion (1) easier to transport goods / better infrastructure (1) quicker to work / increases labour mobility / longer working hours / more productive / efficient workforce (1) output rises (1). Lower transport costs (1) encourage firms to increase output / attract MNCs / foreign investment (1). Lower costs may increase international competitiveness (1) increase demand for country's exports (1).	**4**	

Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between GDP per head and car ownership.** Coherent analysis which might include: **Overview** Generally, a direct relationship / the higher the income, the higher the car ownership / the lower the income, the lower the car ownership (1). **Supporting evidence – two comparison examples** Senegal has the lowest GDP per head and the lowest car ownership (1). Ecuador has the second lowest GDP per head and the second lowest car ownership / Spain has higher GDP per head and car ownership than Uruguay (1) **Exception** New Zealand / Switzerland (1) Switzerland has a higher GDP per head but lower car ownership than New Zealand (1). OR Switzerland has highest GDP per head but only second highest car ownership (1) OR New Zealand has second highest GDP per head but highest car ownership (1). **Comments** Higher income would increase ability to purchase cars / high income countries often have more than one car per household (1) For exception other influences on demand e.g. cost of public transport / road space / congestions (1).	**5**	There must be a comparison between countries and/or GDP per head and car ownership. Merely describing the data gets no marks as it is not analysis. A direct comparison between two countries e.g. GDP per head is higher in Switzerland than Senegal and car ownership is higher in Switzerland than Senegal is worth the 2 marks.

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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 the profits of Ecuador's textile firms are likely to have increased between 2016 and 2019.

Award up to 4 marks for logical reasons why they might, which may include:
Incomes / household spending increased in Ecuador (1) increasing demand for textiles (1) revenue increases (1).

Costs of production may have fallen (1) due to lower transport costs (1)'.

Increase in scale of production (1) increased ability to take advantage of economies of scale (1) average cost falls (1) profits may rise if prices unchanged but costs fall / profit is revenue – costs (1).

Low increase in wage costs (1) revenue may have increased by more than costs (1).

Incomes abroad may have increased (1) increasing demand for Ecuadorean textiles (1) especially of luxury textiles (1).

Award up to 4 marks for logical reasons why they might not, which may include:
The firms may have lost skilled workers abroad (1) which could have reduced productivity (1) increased costs / production falls (1).

Strong competition from abroad (1) they may have lost sales to competitors (1) reducing revenue and or prices (1).

Low wage increase (1) workers may leave industry / lower productivity (1) trade unions / workers may take action (1) may strike / disrupting the firms' supply/ lead to higher costs (1).</td>
<td>6</td>
<td>Apply this example to all questions with the command word DISCUSS
(1g, 1h, 2d, 3d, 4d and 5d)

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>
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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not Ecuador benefits from the emigration of some of its workers.** **Award up to 4 marks for logical reasons why it might, which may include:** Some may be unskilled (1), may have been unemployed (1) others leaving jobs create vacancies to be filled by unemployed (1) and so the government would spend less on unemployment benefit / more for other public spending (1) less poverty as a result (1). Some may be trained abroad (1) and may bring back skills and ideas into the country (1) increasing output (1). Some may send money home (1) improve the current account balance (1) will increase spending / total demand (1) leading to economic growth (1). Net emigration results in lower population / reduces overpopulation (1) less depletion of resources / pollution / shortage of resources e.g. housing (1). **Award up to 4 marks for logical reasons why it might not, which may include:** May lose skilled workers (1) lower productivity (1) low quality products / reduce output / economic growth (1) a relatively high proportion of people lost (1) makes it more difficult to attract MNCs (1). If some will not support families at home (1) dependency ratio will rise (1) place more burden on the government (1). Large proportion / 3 million already working abroad (1) shortage of workers / large reduction in size of labour force / increase (unit) wage costs (1) less income (1) less government tax revenue (1) less government spending e.g. education, health (1). Younger workers emigrating (1) leads to an ageing population (1).	**6**	

Question	Answer	Marks	Guidance
2(a)	**Define *market disequilibrium.*** A market where demand and supply are not equal / balanced / matched (2). A market where there is a surplus / excess supply (1) or a shortage / excess demand (1).	**2**	
2(b)	**Explain opportunity cost and how it can influence a farmer's decision to grow apples.** **Logical explanation which might include:** Opportunity cost is the (next) best alternative / choice / option (1) sacrificed / forgone / given up (1). A farmer could grow another crop (1) size of opportunity cost / choice made is influenced by revenue / cost / profit / resources available / weather (1).	**4**	

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Question	Answer	Marks	Guidance
2(c)	**Analyse how labour-intensive production can benefit an economy.** **Coherent analysis which might include:** Labour-intensive production uses a high proportion of labour (1) it may increase employment (1) lower unemployment (1) raise incomes (1) raise standard of living / reduce poverty (1). The country may have a large supply of labour (1) the labour force may be relatively unskilled (1) which is cheap to employ / cheaper than using capital (1) saving money for firms (1) more flexible than capital in adjusting supply (1) less pollution / more environmentally friendly (1). Labour-intensive production may provide individually made products / handcrafted / higher quality (1) raise skills level of workforce (1) may be in high demand internationally (1) increase exports / reduce deficit on current account balance (1).	**6**	This is a static analysis so do not reward answers that write about higher government revenue and expenditure and rise in total demand and economic growth.

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr>
<td>2(d)</td>
<td>Discuss whether or not consumers benefit from a competitive market.

In assessing each answer, use the table opposite.

Why they might:
• give consumers some power
• may lower prices
• may raise quality
• increase choice
• goods and service may be readily available.

Why they might not:
• firms may be too small to take advantage of economies of scale
• firms may not have much profit to invest in research and development
• there may be wasteful duplication
• there may be wasteful expenditure on advertising
• there may a reduction in quality because of cost-cutting
• there may be too much choice, taking time to make decisions
• consumers may benefit more from monopoly where economies of scale result in lower prices than in a competitive market</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>
<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	Marks	Guidance
2(d)			This is a discussion of a market not of an economic system so public goods and merit goods are not relevant.

Question	Answer	Marks	Guidance
3(a)	**Define, with an example, an *indirect tax*.** A tax on goods and services / tax on sales / purchases / consumer spending (1) VAT / GST / import tariff (1).	**2**	Allow an example of a product that is taxed for the example mark e.g. motor cars. Allow an answer that explains that the tax is levied on a producer but passed onto consumers to pay. Do not reward answers that refer to a tax levied on a third party.
3(b)	**Explain <u>two</u> benefits of MNCs to their home countries.** **Logical explanation which might include:** Increasing income / improving the current account balance / raise living standards /higher tax revenue (1) if profits returned to home county (1). Reduces prices in the home country (1) if goods now produced at lower costs in host countries (1). Reduce unemployment (1) employment of workers from the home countries in host countries / may employ more in head office (1). Higher revenue for firms (1) which may increase their profits (1) can gain subsidies/grants from host countries governments (1) May e.g. be able to dump waste materials / reduce pollution (1) host countries may have fewer rules and regulation (1).	**4**	One mark for each of two benefits identified and one mark for each explanation. Note: common error is to confuse host and home country so before awarding marks be clear that the candidate is not writing about the host country.

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Question	Answer	Marks	Guidance
3(c)	**Analyse how an increase in productivity can affect unemployment.** **Coherent analysis which might include:** An increase in productivity will lower average costs of production (1) may increase output / revenue (1) raise firms' profits (1) may encourage firms to expand / attract MNCs (1) employ more workers (1) reducing unemployment (1). An increase in productivity will make firms more competitive internationally (1) leading to more exports (1) and higher demand for labour further reducing unemployment (1). May enable the same or more output to be produced with fewer workers (1) saving money / increasing profits (1) may increase unemployment (1). Higher productivity may mean higher wages (1) raising consumption / demand for goods and services (1) more incentive to seek employment / leading to more employment (1). Increase productivity may be due to capital investment / better equipment /technology (1) could reduce demand for labour (1).	**6**	Candidates need to be clear about distinction between productivity and production.

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<tr><td>3(d)</td><td>Discuss whether or not a decrease in a country's unemployment rate will reduce poverty.

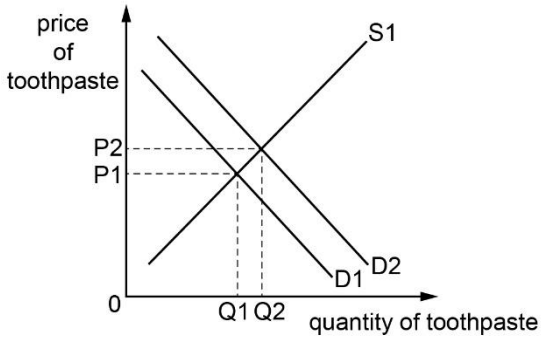
In assessing each answer, use the table opposite.
Why it might:
• may increase employment
• may raise incomes
• may enable people to buy more goods and services
• may reduce the gap between the high-paid and the low-paid
• More government tax revenue to spend on benefits/services for poor.

Why it might not:
• may not be an increase in employment – unemployed may have left the labour force e.g. emigrated, retired
• may be in low-paid jobs
• may be in part-time jobs
• some of the poor are not in the labour force e.g. homemakers, sick and informal economy
• may result in inflationary pressures reducing real incomes
• may reduce absolute poverty but may not reduce relative poverty.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> determinants of price elasticity of demand.** Availability of substitutes (1) Availability of complements (1) Proportion of income (1) Whether the product is a luxury or a necessity / essential (1) Whether it is addictive (1) Whether the purchase can be postponed (1) Impact of advertising / brand loyalty (1).	**2**	
4(b)	**Explain <u>two</u> advantages to a firm of a horizontal merger.** **Logical explanation which might include:** To gain market power or share / monopoly power / become larger (1) by eliminating a competitor / controlling more of the market (1) can increase prices as fewer competitors (1). To reduce average costs of production (1) by being able to take greater advantage of economies of scale (1) example of economy of scale (1) more competitive internationally (1) may decrease prices / profits (1). To keep up with competitors (1) to avoid being driven out of the market (1).	**4**	One mark for each of two reasons identified and one mark for each explanation.

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Question	Answer	Marks	Guidance
4(c)	**Analyse, using a demand and supply diagram, how the market for toothpaste would be affected by an increase in population.** **Coherent analysis which might include** **Up to 4 marks for the D&S diagram:** Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New demand curve shifted to the right (1). Equilibriums – shown by lines P1 and Q1 and P2 and Q2 **or** equilibrium points E1 and E2 (1). **Up to 2 marks for written analysis which might include:** An increase in population will mean there are more people to buy / demand toothpaste (1). Price will rise / quantity traded will increase (1).	**6**	Diagram does not need to refer to toothpaste but if not; the analysis must refer to increase in demand toothpaste. 

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Discuss whether or not an increase in the wages of dentists will increase the number of dentists employed.

In assessing each answer, use the table opposite.

Why it might:
• increase in demand may cause supply to extend
• may encourage more people to train to be dentists
• higher pay may increase the standard of living of dentists
• may persuade current dentists not to leave the occupation / delay retirement.
• may cause increased inward migration of qualified dentists

Why it might not:
• decrease in supply may cause demand to contract long period of training may discourage people
• people may lack qualifications / skills
• people may not find the job enjoyable
• people may think the job will be too physically demanding e.g. backache
• wages may rise more in other occupations
• may increase costs for dental firms employing dentists / consumers reducing demand for dentists</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> components of the current account of the balance of payments.** Trade in goods (1) Trade in services (1) Primary income (1) Secondary income (1).	**2**	Also accept visible balance, invisible balance, income and current transfers. In addition, accept exports and imports.

Question	Answer	Marks	Guidance
5(b)	**Explain <u>two</u> reasons for differences in living standards between countries.** **Logical explanation which might include difference in:** Rate of employment /level of income (GDP per head) (i) will influence the ability to buy goods and services (1). Productivity (1) resulting in differences in ability to enjoy a different quantity of goods and services (1). Availability of resources / factors of production (1) resulting in differences in productive capacity (1). Level of technology (1) resulting higher quality of goods and services / better sanitation / clean water (1). Healthcare (1) resulting in differences in life expectancy (1). Education (1) causing differences in skills / job outcomes (1). International trade (1) resulting in differences in GDP per head (1). Cost of living (1) affecting ability to buy goods and services (1). Environment (1) level of pollution / density of housing (1). War/conflict (1) causing reduced welfare / opportunity / diverted resources (1).	**4**	One mark for each of two reasons identified and one mark for each explanation.

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Question	Answer	Marks	Guidance
5(c)	**Analyse the reasons why a country may impose tariffs on imports.** **Coherent analysis which might include:** To increase the price of imports (1) may reduce demand for imports (1) reduce import expenditure (1) improve the current account position / balance of payments (1) increase demand for domestic firms (1) reduce unemployment (1) increase economic growth (1). To protect infant industries (1) enabling them to take advantage of economies of scale / stop them from being driven out by foreign firms with much lower costs due to size (1). To protect declining industries (1) prevent unemployment rising (1). To protect strategic industries (1) ensure self-sufficiency (1). To discourage demerit goods (1) to improve health / welfare of consumers (1). To stop dumping of overseas goods (1) where goods sold at below cost price / aimed at driving out domestic firms (1). As a source of government revenue (1) e.g. to use to subsidise domestic producers (1). As a countermeasure / retaliation (1) in response to unilateral imposition of tariffs by another country (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 an increase in commercial bank lending will increase economic growth.

In assessing each answer, use the table opposite.

Why it might:
• households may spend more on goods and services
• higher total demand may increase output
• firms may invest more leading to higher employment
• higher investment will increase total demand and productive capacity.

Why it might not:
• economy may already be at full employment
• higher total demand may increase prices / rate of inflation rather than output
• households and firms may spend on imports
• households and firms may borrow to repay past debts
• variable interest rate increase could then affect level of future consumption and investment</td><td>8</td><td>
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