Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/21**

Paper 2 Structured Questions **October/November 2023**

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 2023 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 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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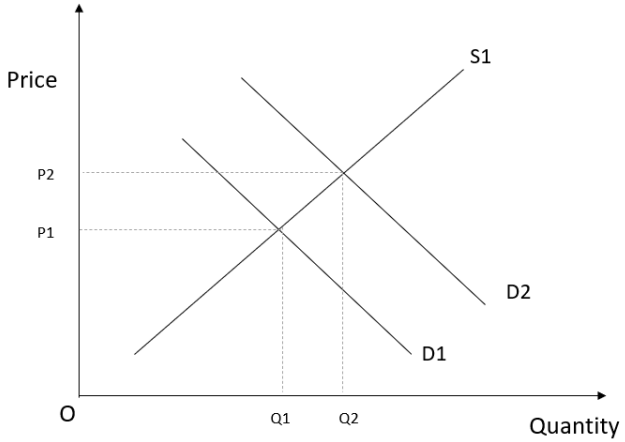
Common examiner annotations on 0455/2281/0987 and 2286

	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 total number of people in Cambridge aged 18–29 in 2019.** 37 440 (1)	**1**	
1(b)	**Identify <u>two</u> types of industries in Cambridge that operate in the tertiary sector.** Education (1). Healthcare (1). Research and development (1).	**2**	If more than two types are given, consider the first three.
1(c)	**Identify <u>two</u> benefits of having highly knowledge-intensive exports.** Exports highly priced (1). Price inelastic in demand (1). Increased demand for exports (due to increased global incomes) (1).	**2**	If more than two benefits are given, consider the first three. Accept high value for highly priced.
1(d)	**Explain how having a more educated labour force can reduce poverty.** Logical explanation which might include: a more educated labour force will be more skilled / more productive (1) enabling them to earn higher wages (1) able to afford basic necessities (1). a more educated labour force may have more job opportunities / less unemployment (1) wages may be higher than unemployment benefits (1). a more educated labour force has access to more information on health (1) increasing the ability to work (1) have access to better healthcare (1).	**4**	

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Question	Answer	Marks	Guidance
1(e)	**Draw a demand and supply diagram to show the effects of increased global income on the market for education in Cambridge.** D&S diagram: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New 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 percentage of population with a university degree and GDP per head.** Coherent analysis which might include: Expected relationship: Positive / direct relationship (1) the higher percentage of population with a university degree, the higher the GDP per head (1). Analysis of expected relationship: as percentage of population with a university degree increases, the more skills / qualification they will have (1) therefore, they have higher productivity and can earn more (1). Supporting evidence: e.g. Indonesia lowest percentage of population with a university degree, lowest GDP per head ; Canada, Switzerland and UK have the highest three in each category; Colombia has the second lowest percentage of population with a university degree and the second lowest GDP per head (2). Exception: Switzerland (1) has lower percentage of population with a university degree than Canada or the UK, but higher GDP per head (1). Analysis of the exception: Other influences, e.g. quality of secondary education, proportion of the population employed in banking (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.

<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 free trade is beneficial for a city such as Cambridge.

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

• easier to export (1) increased export revenues (1) increased revenue / profits for producers (1) higher growth in the city (1).
• easier to import / more imports (1) cheaper imports of goods and materials / lower costs for firms (1) lower prices (of exports) (1).
• more jobs created (1) reducing the level of unemployment (1).
• increase size of the market (1) economies of scale (1) e.g. purchasing / technical / marketing / managerial / financial (1).
• increased choice for consumers (1) from increased imports (1) higher quality goods / variety of goods (1).
• more competition (1) or more transfer of ideas and knowledge (1) leads to more innovation (1) lower prices (1)
• encourage entrepreneurship / investment (1) profit incentive (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></table></td></tr>
</table>

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Question	Answer	Marks	Guidance
1(g)	Award up to 4 marks for logical reasons why it might not, which may include: • overdependence on foreign markets (1) economic shocks in other countries can negatively affect revenues of firms (1) reduce economic growth and development in the city (1). • free trade could reduce competitiveness of firms (1) other economies might have relatively lower costs (1) cheap imports / more imports (1) stop development of infant industries (1) may lead to job losses in the city (1). • free trade only affects certain producers / firms / workers (1) leads to increased inequality / uneven distribution of income (1). • free trade leads to more environmental degradation (1) due to more production / more need for cross-border transport (1) creating external costs / negative externalities (1). • may increase consumption of demerit goods (1) reduce health (1). • free trade could lead to the creation of global monopolies (1). reducing the ability of smaller domestic firms to compete (1).		

Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not firms in Cambridge will continue to grow.** Award up to 4 marks for logical reasons why it might, which may include: • ease of access to a large amount of highly-skilled and educated workers, from all over the world (1) easy to find workers (1) to produce goods and services (1) or lower cost of labour (1) • skilled workers are more productive (1) more innovation / new ideas / high quality products (1) • young workers (1) may be up-to-date with modern technology (1) • good infrastructure (1) such as access to ultra-fast broadband (1) productivity is higher (1) faster production / less delays (1) • good transport links to other cities and international airports (1) easy to export / high demand for their exports (1) easy to reach customers (1) faster deliveries (1) increased demand for goods and services (1). Award up to 4 marks for logical reasons why it might not, which may include: • high land and office costs (1) high cost of production (1) higher capital start-up costs (1) lower profits (1) • high house prices (1) poor air quality (1) may discourage workers from locating in Cambridge (1) difficult for firms to find workers (1) • small population (1) small market (1) limited demand (1) limited scope for revenue / profits for Cambridge firms (1) • overdependence on one sector (e.g. education) (1) limits potential growth from other sectors (1) • skilled workers are available in other cities (1).	**6**	

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Question	Answer	Marks	Guidance
2(a)	**State how average revenue is calculated.** Average revenue = total revenue (1) / quantity sold (1)	**2**	Accept quantity without 'sold' as the divisor.
2(b)	**Explain <u>two</u> advantages of a large firm.** Logical explanation which might include: economies of scale (1) (average) cost lower than smaller firms (1) finance / capital available (1) ease of getting loans from banks (1) technological development (1) high productivity (1) large customer base (1) high revenue / profits (1) may be well-known (1) increase brand loyalty (1).	**4**	One mark each for each of two advantages identified and one mark each for each of two explanations. Accept explanation of two different economies of scale. Credit another example of economies of scale e.g. financial economies.
2(c)	**Analyse the possible causes of higher prices of a product such as ski holidays in the Alps.** Coherent analysis which might include: • higher demand / higher popularity (1) from e.g. advertisements / reputation (1) rise in quality (1) rise in price of a substitute / another type of holiday (1) • more inelastic demand (1) quantity demanded less responsive to changes in price (1) e.g, due to higher brand loyalty (1) • higher income of target market (1) luxury good (1) • lower supply (1) e.g. due to better quality (1) • more inelastic supply (1) quantity supplied less responsive to changes in price (1) more regulations (1) • higher cost of production (1) higher labour costs (1) higher minimum wage (1) higher living costs of workers in ski industry (1) • investment in improving facilities e.g. ski lifts (1) may raise costs in the short run (1).	**6**	Accept any relevant example of a fall in the price of a complement e.g. ski equipment, as a reason for higher demand.

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<tr><td>2(d)</td><td>Discuss whether or not government intervention is beneficial for firms.

In assessing each answer, use the table opposite.

Why it might:

• government could provide subsidies to reduce firms' costs / help boost output / help during natural disasters / help firms survive
• government could reduce taxes to reduce cost of production
• minimum prices could increase revenues of firms
• government spending on education could increase skills of workers
• government spending on benefits could increase demand for products
• regulations controlling monopolies could promote competition.

Why it might not:

• government regulations could increase cost of production
• minimum wage could add to firms' costs, reducing profits
• indirect taxes or direct taxes could reduce firms’ profits
• maximum prices could reduce firms’ revenues
• trade restrictions could limit competition.</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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Question	Answer	Marks	Guidance
3(a)	**Identify <u>two</u> types of tax.** Direct (1) Indirect (1) Progressive (1) Proportional (1) Regressive (1)	**2**	Accept any relevant examples of taxes e.g. income tax, tariffs. Accept, but do not expect, specific and ad valorem taxes.
3(b)	**Explain <u>two</u> functions of money.** Logical explanation which might include: • a medium of exchange (1) to buy goods and services / to trade (1) • a measure of value / unit of account (1) to measure how much a product is worth (1) • a store of value (1) to allow people to save (1) • a method of deferred payment (1) for borrowing and lending (1).	**4**	One mark each for each of two functions identified and one mark each for each of two explanations.

Question	Answer	Marks	Guidance
3(c)	**Analyse the consequences of market failure.** Coherent analysis which might include: • market failure exists when the production or consumption of goods and services in a market is not efficient (1) • overconsumption of demerit goods (1) and goods with external costs (1) leading to an overall misallocation of resources (1) e.g. overconsumption of cigarettes, fossil fuels (1) • underconsumption of merit goods (1) and goods with external benefits (1) e.g. education, healthcare (1) • non-supply (1) of public goods (1) e.g. defence (1) • abuse of monopoly power (1) resulting in higher prices (1) reducing affordability / choice (1) • factor immobility (1) resulting in shortages and surpluses (1) causing unemployment (1) resulting in lower income / poverty (1).	**6**	i.e. labour market failure.

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<tr><td>3(d)</td><td>Discuss whether or not a tax on a product can reduce external costs.

In assessing each answer, use the table opposite.

Why it might:

• tax will increase price, reducing the quantity demanded
• if demand for the product is elastic, quantity demanded will be responsive to the price increase, quantity demanded will change significantly
• tax will increase the cost of production, therefore decreasing supply
• tax will decrease the profits of firms
• tax will provide governments additional revenue to help with subsidising less-polluting products.

Why it might not:

• tax is insignificant compared to the final price of the product
• tax avoidance / evasion / unofficial or illegal markets
• if demand for the product is inelastic, quantity demanded will be unresponsive to the price increase, quantity demanded will not change significantly, e.g. addictive products.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
4(a)	**Identify, other than natural rubber, <u>two</u> primary-sector products.** e.g. coal, oil, fish, wood, wheat	**2**	If more than two products are given, consider the first three. Accept process rather than product e.g. fishing.
4(b)	**Explain <u>two</u> reasons why a country may change its specialisation.** Logical explanation which might include: • Change in quantity / quality of resources (1) discovery of new resources (1) or new technology (1) other economies may be more / less efficient in production of certain products (1). • Change in cost of production (1) change in labour costs (1) e.g. increase in minimum wage (1) change in capital costs (1) e.g. cheaper technology (1) • Changes in demand (1) changes in consumer behaviour (1) change in revenue / profits (1) • Changes in level of competition (1) other countries' producers may gain a competitive advantage (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations.

Question	Answer	Marks	Guidance
4(c)	**Analyse the economic benefits for a country in producing manufactured goods instead of primary sector products.** Coherent analysis which might include: • higher price (1) higher output (1) higher revenues / profits (1) higher value added (1) • more exports (1) increased total demand (1) economic growth (1) • higher productivity (1) economies of scale (1) • more demand for workers (1) lower unemployment (1) may be more skilled jobs (1) higher income of workers (1) higher standards of living / reduction in poverty (1) • does not require stock of natural resources (1) skills / technology could be learnt / imported (1) • less dependent on weather changes (1) more stable revenues / income (1) easier to plan / budget (1) • higher tax revenues for the government (1) higher government spending (1) more development spending e.g. healthcare services / education services / infrastructure (1) resulting in higher levels of economic development (1).	**6**	

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<tr><td>4(d)</td><td>Discuss whether or not labour-intensive production will harm an economy.

In assessing each answer, use the table opposite.

Why it might:

• labour may cost more than capital
• labour may be more unreliable – inefficient / inconsistent.
• labour may be protected by trade unions – more disruptions
• labour may be less productive
• labour may need more breaks than machines
• labour intensive production may be less cost-effective, reducing international competitiveness.

Why it might not:

• provides high employment levels – high standards of living
• lower levels of unemployment – less government spending on unemployment benefits
• labour may be more flexible than machines – can change skills / production / more mobile
• labour may be able to respond to people / customers more easily.</td><td>8</td><td>
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<tr><td>5(a)</td><td>Identify <u>two</u> monetary policy measures.

Changes in: interest rates (1) money supply (1) foreign exchange rates (1).</td><td>2</td><td>Accept, but do not expect, quantitative easing as an alternative to money supply. If more than two measures are given, consider the first three.</td></tr>
<tr><td>5(b)</td><td>Explain <u>two</u> microeconomic policy measures that can be taken by a government to reduce the price of a product.

Logical explanation which might include:

• maximum prices (1) e.g. maximum rents / rent controls (1)
• subsidies (1) reduce cost of production (1) e.g. housing subsidies (1)
• nationalisation (1) government sets lower prices (1)
• direct provision of goods (1) increase supply of goods (1) e.g. government providing public housing (1)
• regulation (1) e.g. prohibiting foreign house buying (1) reduce demand (1)
• deregulation (1) allowing more firms in the market / more competition (1)
• lower (sales) taxes (1) if sellers reduce prices as a result (1).</td><td>4</td><td>Examples could be related to any market – does not have to be housing market.

If more than two policy measures are given, consider the first three.</td></tr>
</table>

Question	Answer	Marks	Guidance
5(c)	**Analyse the key determinants of price elasticity of supply of a product.** Coherent analysis which might include: • availability of stocks (1) finished goods which are unsold (1) with a high level of stocks, supply will be elastic (1) • level of spare capacity (1) factors of production available but unused (1) e.g. workers not working full time (1) supply will be more elastic if levels of spare capacity are high (1) • time period under consideration (1) short run / long run (1) short run has inelastic supply (1) with at least one fixed factor of production (1) which makes it more difficult to produce (1) long run has elastic supply (1) when all factors of production are variable (1) making it easier to produce more (1) • difficulty of production process / length of production time (1) produce that is easy to produce will be more elastic (1) e.g. bread is easier to produce compared to a smartphone (1).	**6**	Also accept an approach based on why PES may be inelastic as shown in third bullet point.

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<tr><td>5(d)</td><td>Discuss whether or not trade unions benefit workers.

In assessing each answer, use the table opposite.

Why they might:

• collective bargaining can result in higher wages
• better working hours and working conditions can be negotiated
• trade unions may protect employment giving more job security
• trade unions may influence governments to give favourable policies for workers, e.g. maternity pay
• trade unions may provide services for workers e.g. training.

Why they might not:

• higher wages negotiated by trade unions may increase costs of production, firms may reduce number of workers to cut costs
• may promote industrial actions / strikes, reducing productivity, reducing wages of workers
• may reduce competitiveness of the economy, reducing investment and therefore reducing the demand for workers.
• workers may not agree with the objectives of a trade union
• workers may feel that the fees to join a trade union are too high compared to the benefits they could receive from membership.</td><td>8</td><td>
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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td></td><td>
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<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>
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