Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 2021**

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 2021 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.

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)

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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).

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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Examiner annotations

	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
L	Nothing creditworthy
L1	Level 1
L2	Level 2
L3	Level 3
MAX	Maximum mark on one side.
NAQ	NAQ
NE	Not established – a statement made without any support

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REP	Repetition
SEEN	SEEN
✔	Tick – a credit worthy point
TV	Too vague

Question	Answer	Marks	Guidance
1(a)	**Calculate, in $, Air India's loss in 2018.** 0.7bn, 700m, 700 000 000.	**1**	7 × 10 to the power 8. 7 × 10^8.
1(b)	**Identify <u>two</u> substitutes for air travel.** Trains (1) ships (1).	**2**	For 'ships' accept water travel.
1(c)	**Explain <u>one</u> characteristic that suggests that Air India was a monopoly in 1994.** Share of the market was 100% (1) only firm / share above 25% of the market / share above 40% / a complete/pure monopoly / no competition (1). Able to set price (1) a price-maker (1).	**2**	
1(d)	**Explain <u>two</u> reasons why a government may privatise an industry.** Logical explanation which might include: Raise (tax) revenue (1) which could be spent on e.g. education, healthcare / increase government spending (1). Increase efficiency / may perform better in the private sector / higher productivity (1) introduce a profit motive / increase output/GDP / reduce costs of production (1). Increase competition (1) lower price / increase quality / increase choice (1). Industry may be loss making / costly to run (1) reduce need to use tax revenue to finance industry / tax revenue can be used for other purposes e.g. education / increase government spending / reduce national debt / tax rates might be cut (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations.

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Question	Answer	Marks	Guidance
1(e)	**Analyse how India's position on the current account of its balance of payments in 2017 compares with the other four countries.** Coherent analysis which might include: Brazil, India and Kenya had a current account deficit (1) while China and Russia had a current account surplus (1). India's current account deficit is the largest in terms of $s (1) but the second largest in % terms (1). China's current account had a larger impact on its economy in terms of $s (1) and Kenya's in percentage terms (1). Russia's current account surplus is larger than China's in terms of % of GDP (1). China has the largest surplus in $s (1).	**4**	Up to 2 marks maximum for idea of size of current account balance without reference to deficit or surplus e.g. China has the largest current account balance and India the lowest. So maximum of 2 marks without reference to deficit/s or surplus/es. No marks for writing about a budget balance.
1(f)	**Analyse how a successful airline industry can promote economic growth.** Coherent analysis which might include; May increase number of tourists (1) raise revenue from tourism / increase the size of the tourist industry (1) may increase exports / imports / increase the ease of movement of people and goods into and out of the country (1). May attract more MNCs (1) these will increase the country's output/GDP (1) introduce new technology / new methods of production (1). May lower costs of production (1) raising firms' profits (1) providing the incentive/finance to expand (1) increase the country's output/GDP (1). May increase employment (1) raise incomes (1) increase total demand (1) increase tax revenue (1) more could be spent on e.g. education (1). May increase (geographical) mobility of labour (1) making it easier for expanding firms to recruit workers (1).	**5**	

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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 the Indian government should increase the tax on airline fuel.

Award up to 4 marks for why it should:
• Raise revenue (1) can be used to finance e.g. education / training of pilots / increase government spending (1) burden more likely to fall on the rich / may enable tax on basic necessities to be reduced (1).
• May reduce market failure (1) air travel causes external costs / social cost exceeds social benefit (1) air/noise pollution (1) a tax may reduce air travel / lower demand for air travel (1) by raising price (1) encourage people to switch to other forms of transport (1).

Award up to 4 marks for why it should not:
• Will increase airlines’ costs / reduce airlines’ profits / cause a loss (1) airlines’ other costs are rising (1) difficult for them to cover higher costs / raise prices (1) due to elastic demand / price sensitive demand (1) may go out of business (1) may discourage investment (1) causing unemployment (1).
• May reduce tourism in the country (1) harming the current account position (1).
• Airline fuel is already highly taxed (1) may be difficult to tax further (1).
• Ait travel is safer than car travel in many countries (1) so injuries may increase if there is a switch between the two (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>

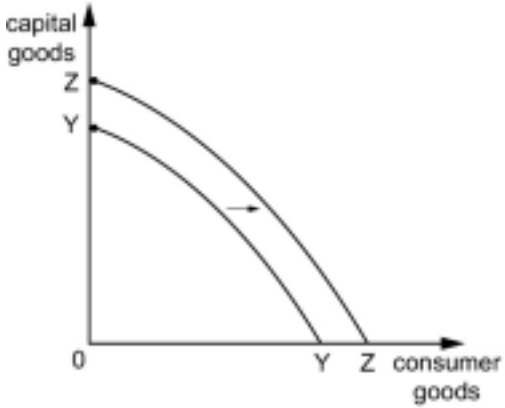
Question	Answer	Marks	Guidance
1(h)	**Discuss whether more people will apply to be pilots for Indian airlines in the future.** **Award up to 4 marks for logical reasons why they might:** • Introduction of new technology (1) will make the job easier (1) • Improved staff training (1) improve/increase skills (1) improve motivation / satisfaction (1) • improve working conditions (1) airlines want to retain staff (1) • More routes are being flown / size of industry is increasing (1) demand for pilots may increase / more job opportunities (1) may raise wages (1). • More fringe benefits may be provided (1) example (1). • Being a pilot is a highly regarded occupation in many countries (1). **Award up to 4 marks for logical reasons why they might not:** • There may not be more people qualified to become pilots (1) education standards may fall / qualifications may be high (1). • Period of training may increase / cost of training may increase (1). • Other jobs may offer higher wages / better working conditions / wages of pilots may fall (1) example of other jobs (1). • Advances in technology may reduce the need for pilots (1) may increase skills needed (1). • Increased tax on fuel may reduce the size of the airline industry (1) causing people to expect fewer job opportunities / unemployment of pilots (1). • Price of substitute forms of transport may reduce (1) lowering demand for pilots (1).	**6**	Note: some points may be given in reverse e.g. education standards may rise.

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Question	Answer	Marks	Guidance
1(h)	• Job may require workers to be away from their families (1) people may want to stay close to home (1). • Working hours may be unsociable (1) people may want to spend more time with their families (1). • May be considered in some cases to be a risky job (1).		

Question	Answer	Marks	Guidance
2(a)	**Define *a free good*.** No opportunity cost (1) a good that takes no resources/factors of production to produce / naturally abundant in supply / does not use scarce resources (1).	**2**	No marks for an example**.**
2(b)	**Explain, with examples, the difference between the secondary sector and the tertiary sector.** Logical explanation which might include: Secondary sector covers manufacturing (and construction) / converts primary products into finished goods (1) e.g. car industry (1). Tertiary sector covers services / final stage of production (1) e.g. insurance (1).	**4**	For tertiary sector, it is not sufficient to just have the sector which sells products as this is only part of the sector. But for the tertiary sector example accept the sale of a product e.g. the sale of jewellery.

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Question	Answer	Marks	Guidance
2(c)	**Analyse, using a production possibility curve (PPC), the effect of an increase in the quality of its resources on an economy.** **Up to 4 marks for the diagram:** Axes correctly labelled with different outputs (1). Initial curve drawn as a curve / line sloping downward to the axes (1). New curve drawn as a curve / line sloping downward to the axes (1). Shift indicated by arrow or letter (1). **Up to 2 marks for coherent analysis which might include:** Better quality resources will increase productivity (1) enable more of both types of goods to be produced (1) with a given quantity of resources (1) increase productive potential / productive capacity / total supply (1) cause economic growth (1).	**6**	Nothing for higher output, higher GDP as this is uncertain. 

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not a fall in a country’s birth rate will benefit an economy.

In assessing each answer, use the table opposite.

Why it might:
• reduce the number of dependents
• fewer workers away from work to bring up children
• enable resources to be used to increase economic growth / raise living standards
• reduce pressure on the environment
• move towards the optimum population

Why it might not:
• reduce the size of the labour force in the longer term
• reduce labour mobility
• create an ageing population
• reduce size of markets</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>
<tr><td>1</td><td>There is a simple attempt at u sing 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
3(a)	**Identify <u>two</u> determinants of price elasticity of supply.** Two from: • ability to store • level of stocks • perishability • production time • level of spare capacity • cost of altering supply • time period under consideration – short/long run	**2**	Accept weather.
3(b)	**Explain <u>two</u> advantages to an economy of ending child labour.** Logical explanation which might include: Enable children to be educated (1) raise productivity / workers' skills / literacy rates / long run economic growth (1). Improve children's health (1) increase life expectancy / raise living standards (1). Reduce cycle of poverty (1) children will later gain higher paid jobs (1). Raise wages (1) due to reduced supply of cheap labour (1). Remove international bans / encourage more foreign tourists (1) increase exports (1). Increase job opportunities for adults (1) lower unemployment / increase employment of adults (1).	**4**	One mark each for each of two advantages identified and one mark each for each of two explanations.

Question	Answer	Marks	Guidance
3(c)	**Analyse how average cost can change as output increases.** Average cost may fall due to economies of scale (1) example of an economy of scale e.g. financial economy (1) explanation of the example (up to 2 marks) e.g. banks may charge lower interest rates (1) reducing firms' cost of borrowing (1). Another example e.g. buying economy (1) explanation of the example (up to 2 marks) e.g. able to buy in bulk (1) and receive a discount (1). Higher output may enable fixed costs to be spread over a larger output (1) which may reduce average fixed costs (1) whether average total cost will fall will depend on what happens to average fixed cost plus average variable cost (1). Average cost may rise due to diseconomies of scale (1) example e.g. managerial economy (1) explanation of the example (up to 2 marks) e.g. difficulty of keeping control of a large organisation (1) leading to more mistakes / poor decision making (1). Another example e.g. poor labour relations (1) explanation of the example (up to 2 marks) e.g. lack of contact between workers and managers (1) may be strikes (1).	**6**	Nothing for reference to causes of changes in total costs e.g. employing more workers will increase wages paid.

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<tr><td>3(d)</td><td>Discuss whether or not an economy would benefit from allocating more of its resources to agriculture.

In assessing each answer, use the table opposite.

Why it might:
• specialisation may increase efficiency, raise output, increase exports
• may improve the current account of the balance of payments
• imports of food may be reduced, reduced reliance on other countries for basic necessities
• health and safety standards may be maintained
• the industry is labour intensive in some countries and so may reduce unemployment

Why it might not:
• wages in the industry tend to be relatively low
• the supply of agricultural products can fluctuate significantly due to changes in weather conditions
• opportunity cost of fewer resources for manufacturing goods and for services
• demand for manufactured goods and for services tend to rise more as income increases
• agriculture uses up considerable amounts of water.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> of the three resource allocation decisions.** Two from: • what to produce • how to produce • who to produce for	**2**	

Question	Answer	Marks	Guidance
4(b)	**Explain <u>two</u> reasons why households may save less even though their income has increased.** Logical explanation which might include: Fall in the rate of interest (1) which would reduce the return from saving / spend/borrow rather than save (1). Inflation (1) spend more now before prices rise further / may reduce the real rate of interest (1). Increase in confidence about the future (1) less motive to save for hard times / less concerned will experience unemployment or fall in income (1). Fall in range, number or reliability of financial institutions (1) which would reduce the safe places to save (1). Greater consumption opportunities / spend more / higher living standards (1) with the introduction of new products / lower prices / may be able to afford private education / healthcare (1). Increase in taxes (1) reducing disposable income (1). Rise in family size (1) increasing household expenses (1). Rise in debt (1) may reduce ability of households to e.g. to put money into a savings account (1). Change in social attitudes (1) due to e.g. change in age of households (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations.

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Question	Answer	Marks	Guidance
4(c)	**Analyse how a trade union may benefit its members.** Coherent analysis which might include: A trade union may negotiate with employers (1) to raise wages (1) improve working conditions (1) example (1) increase fringe benefits (1) example (1) through collective bargaining (1) and sometimes industrial action / strikes (1). A trade union may settle disputes between the employer and the workers (1) e.g. over changes in working practices (1) protect workers' rights (1). A trade union may seek to protect the employment of its members (1) in some cases negotiate favourable redundancy terms (1). A trade union may negotiate / put pressure on the government (1) to e.g. raise a national minimum wage or reduce the retirement age (1). In some countries, trade unions provide benefits and services to members (1) e.g. training services (1).	**6**	

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<tr><td>4(d)</td><td>Discuss whether or not a fall in its foreign exchange rate will improve a country’s macroeconomic performance.

In assessing each answer, use the table opposite.

Why it might:
• export prices will fall and import prices will rise
• demand for exports may rise and demand for imports may fall
• domestic output will increase, economic growth may rise
• more workers may be employed, reducing unemployment
• a deficit on the current account of the balance of payments may be reduced or a surplus increased
• may encourage foreign investment if it is thought assets can be bought more cheaply.

Why it might not:
• rise in price of imported capital goods and raw materials may increase costs of production, causing cost-push inflation
• higher total (aggregate) demand may cause demand-pull inflation, especially if the economy is working close to full capacity
• demand for exports and imports may be price inelastic, causing export revenue to fall and import expenditure to rise – in such a case may benefit more from a rise in the exchange rate
• trade restrictions imposed by other countries may prevent the country from exporting more products
• may discourage foreign investment due to a lack of confidence in the country’s future economic prospects.</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(a)</td><td>Identify <u>two</u> ways a government could reduce income inequality.

Two from:
• progressive taxation
• state benefits
• spending on state education / training
• spending on state healthcare
• equal pay legislation
• minimum wage</td><td>2</td><td>Accept higher taxes on high incomes and lower taxes on low incomes but do not accept increasing taxes on incomes as this is TV.

Redistributing income is TV – could be redistributing from the poor to the rich.</td></tr>
<tr><td>5(b)</td><td>Explain <u>two</u> advantages of a market economic system.

Logical explanation which might include:
Consumer sovereignty (1) with consumers deciding what goods and services are produced (1).
Low prices (1) due to competition (1).
High quality (1) due to innovation (1).
Consumer choice (1) variety of products produced (1).
Greater efficiency (1) due to the profit motive (1).
Automatic adjustment to changes in demand and supply / quick response to changes in demand and supply (1) via changes in price / with use of the price mechanism / increase consumer satisfaction (1).</td><td>4</td><td>One mark each for each of two advantages identified and one mark each for each of two explanations.

Nothing for no taxes.</td></tr>
</table>

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Question	Answer	Marks	Guidance
5(c)	**Analyse why life expectancy may decrease.** Coherent analysis which might include: Incomes may fall (1) lowering living standards / reducing access to basic necessities (1). Reduction in healthcare (1) e.g limited access to medication (1). Reduction in education (1) people may lead less healthy lives (1) more smoking (1) more 'junk food' (1) less exercise (1). Rise in poor nutrition / malnutrition (1) eating more low-quality food / people not having enough food (1). More pollution (1) making people more susceptible to diseases (1). May be spread of new diseases / pandemics (1) wars / civil unrest (1). Climate change (1) may result in more natural disasters (1). More people employed in jobs with poor working conditions / more dangerous jobs (1) resulting in more sickness / accidents (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 supply-side policy measures can reduce inflation.

In assessing each answer, use the table opposite.

Why they might:
• they may increase total (aggregate) supply, reducing cost-push inflation
• they can allow total (aggregate) demand to increase without causing inflation
• education and training can increase labour productivity, reducing labour costs
• a cut in direct taxes may increase the incentive to be more productive and more innovative
• labour market reforms may reduce power of trade unions and reduce rise in wages
• subsidies can lower costs of production

Why they might not:
• privatisation does not always increase competition and so does not always lower prices
• education and training can be expensive, may be in areas that are not in demand and will have a time lag
• cuts in income tax may increase total (aggregate) demand as well as total (aggregate) supply
• resource limitations / unable to increase productive capacity due to e.g. limited land available
• inflation may be caused by rise in price of raw materials which have no domestic substitute e.g. oil</td><td>8</td><td>Only accept lower interest rates, if linked to increasing total supply.

<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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td></td><td>
<table>
<tr><td>Level</td><td>Description</td><td>Marks</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>
<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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