Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/22**

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.

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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 how many dollars 6400 Nigerian naira would have bought in 2019.** 16 (1).	**1**	
1(b)	**Identify <u>two</u> ways a bank could increase demand for its services.** Open more branches (1) carry out an advertising campaign (1) improve online / mobile banking (1).	**2**	
1(c)	**State why a merger between two commercial banks is a horizontal merger.** Same stage of production / both in the tertiary (service) sector / same sector (1) same industry / same product / same service (1) can increase market share (1).	**2**	

Question	Answer	Marks	Guidance
1(d)	**Explain <u>two</u> reasons why a large US commercial bank may charge a high price for its services.** Logical explanation which might include: High spending on opening new branches / advertising campaigns / developing online banking (1) need to get back costs / make a profit / may experience diseconomies of scale (1). May offer high quality services (1) have high demand / customers willing to pay a high price (1). High degree of monopoly / market power / control 32% of market (1) customers may have brand loyalty / reluctant to switch banks / lack of substitutes / inelastic demand / can charge high prices to earn high profits/raise total revenue / be a price maker (1). High incomes in the US (1) many customers have the ability to pay a high price (1). Employ skilled / well educated workers (1) so may pay high wages / may have high costs of production (1).	**4**	One mark for each of two reasons identified and one mark for each explanation.
1(e)	**Analyse how an increase in unemployment may affect the Nigerian government's budget.** Coherent analysis which might include: Likely to increase a deficit / reduce a surplus / may result in a budget deficit (1). Tax revenue likely to fall / budget likely to fall (1) due to lower incomes (1) less income tax revenue (1) lower profits (1) less corporation tax revenue (1) lower spending (1) less indirect tax revenue (1) government may cut taxes to reduce unemployment (1). Government spending likely to rise (1) more spending on e.g. benefits / subsidies to the poor / law and order/ healthcare (1) may be more spending on measures to reduce unemployment / expansionary fiscal policy (1) may spend less on other areas e.g. education (1).	**4**	

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Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between countries' average years of schooling and birth rates.** Coherent analysis which might include: Overview Generally, an inverse relationship / the more years of schooling, the lower the birth rate / the fewer years of schooling, the higher the birth rate (1). Supporting evidence Up to 2 marks maximum for two pieces of relevant supporting evidence e.g.: • Germany has the highest years of schooling and lowest birth rate (1) • Chad has lowest years of schooling and highest birth rate (1) • US has more years of schooling than Argentina and so a lower birth rate (1) • the three countries with three highest years of schooling have the three lowest birth rates (1). Exception Nigeria / Eritrea (1) Nigeria has more years of schooling than Eritrea but a higher birth rate (1). Comments More years of schooling is likely to cause people to form partnerships / have children later / focus on careers / increase awareness of contraception/family planning / increase health / reduce size of families (1) increase cost of raising children / having more children may reduce the ability of families to keep their children in education for many years / exception may be result of other influences e.g. differences in fertility rates / differences in social attitudes (1).	**5**	No marks for just stating what the figures are e.g. Germany has 15 years of schooling and a birth rate of approximately 8. US has 14 years of schooling and a birth rate of approximately 12. Argentina has 11 years of schooling and a birth rate of approximately 16 etc.

<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 a subsidy, given to farmers by the Nigerian government, would reduce the deficit on the current account of its balance of payments.

Award up to 4 marks for logical reasons why it might, which may include:
It should raise supply / increase output (1) equivalent to lower cost (1) lower price (1) increasing international competitiveness (1).
There may be more funds available to invest (1) raise quality (1) increase exports / reduce imports (1).

Award up to 4 marks for logical reasons why it might not, which may include:
It may increase inefficiency (1) as firms rely on the subsidy (1) may not pass on the benefit of the subsidy to consumers (1).
Nigeria may have a high inflation rate (1) which may offset the cost advantage of the subsidy (1).
There may an increase in incomes at home (1) which may increase imports / divert exports to the home market (1).
There may be a recession abroad / decrease in incomes of trading partners (1) which reduces exports (1).
Lower export prices will not raise export revenue if demand is inelastic (1).
The exchange rate may rise (1) increasing export prices / lowering import prices (1).
Farmers may import e.g. more machinery (1).
There may be adverse weather conditions / disease (1) which reduces quality / quality may remain poor (1).
There may be import restrictions / increase in import restrictions imposed by other countries (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(h)	**Discuss whether or not the US government should impose a minimum price on chocolate.** Award up to 4 marks for logical reasons why it should, which may include: It will raise price (1) reduce demand / demand contracts / quantity demand falls / consumption falls. (1) reduce obesity (1). Social cost of eating chocolate may exceed social benefit (1) due to external costs (1) example e.g. cost on health service / may reduce need for government spending on healthcare (1) overconsumption of chocolate (1) move market closer to where social benefit equals social cost (1) increase welfare (1). May raise health of the population ***/*** eating chocolate may be unhealthy (1) raise labour productivity (1). There may be information failure (1) some chocolate is a demerit good (1). Award up to 4 marks for logical reasons why it should not, which may include: Poor may not be able to afford chocolate (1) regressive measure (1). Not everyone overweight / some may consume chocolate in quantities that are not harmful (1) may cause demand to switch to other high sugar products / discriminate against other high sugar products (1). It will encourage supply to extend (1) a surplus may develop (1). There may be an illegal market in chocolate (1). There may be a cost to the government (1) it may have to pay to monitor that the price is being charged (1) lower tax revenue from chocolate (1) may be an increase in unemployment (1).	**6**	A minimum price diagram without explanation can get a maximum of 2 marks. These marks may be the equivalent of a combination of two of higher price, demand extending, supply extending or a surplus being created.

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Question	Answer	Marks	Guidance
1(h)	Demand may be inelastic (1) resulting in a relatively small fall in demand / chocolate may be addictive (1). It depends on how high the minimum price is (1) may have no effect if set below the market equilibrium (1).		

Question	Answer	Marks	Guidance
2(a)	**Define *opportunity cost.*** The (next) best alternative / choice (1) forgone / sacrificed (1).	**2**	
2(b)	**Explain the economic problem and why it is always likely to exist.** Logical explanation which might include: The economic problem is finite / limited resources (1) and infinite / unlimited wants / wants exceed resources (1) scarcity (1). It is always likely to exist as wants grow faster than resources / wants are increasing (1) there will never be enough resources to produce all the products people would like to have (1). People are living longer / population is increasing (1) more resources are needed / some resources are being depleted (1).	**4**	

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Question	Answer	Marks	Guidance
2(c)	**Analyse why the wages of all teachers may increase.** Coherent analysis which might include: The wages of teachers may increase if demand for teachers rises (1) derived (1) this may be because there are more children to educate / rise in population size (1) smaller class sizes / children staying in education longer (1) teachers being more productive / skilful (1). A decrease in supply will increase wages (1) this may be due to a rise in qualifications needed (1) long period of training (1) rise in wages in other occupations / need to compete with other occupations (1) need to compete with wages paid to teachers in other countries / recruit from higher paying countries (1). Bargaining power of teachers may increase (1) more teachers may belong to trade unions (1) may be more prepared to take strike action (1) wages may be raised to keep up with inflation / maintain real wages (1). Government policy may favour teachers (1) e.g. there may be an increase in school leaving age / increase provision of education (1). Increase in minimum wage (1).	**6**	

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<table>
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<tr><td>2(d)</td><td>Discuss whether or not a teacher would benefit from specialisation.

In assessing each answer, use the table opposite.

Why it might:
• may be trained more quickly
• become more skilled / productive
• may be in higher demand
• may be better paid
• may increase chance of promotion

Why it might not:
• subject may become less popular
• may become bored teaching the same subject
• if lose job, may find it difficult to get another job
• may spend a long time developing the specialisation
• may not get the opportunity to move into another subject.</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
3(a)	**Define *full employment.*** The lowest unemployment possible (very low percentage) / job vacancies matching the number unemployed (2). Low unemployment (1). May still be some workers in between jobs / some frictional unemployment (1). Zero unemployment (1).	**2**	One mark for idea of full employment of resources e.g. all workers in employment.
3(b)	**Explain the difference between a proportional income tax system and a progressive income tax system.** Logical explanation which might include: Proportional income tax system takes the same percentage **/** proportion of income (1) from all income groups (1). In a proportional income tax rate system, the tax rate does not change (1) as income changes (1) has no effect on the distribution of income (1). Progressive income tax system takes a larger percentage / smaller percentage (1) of the income of the rich / the poor / places a larger burden on the rich (1) helps redistribute income from the rich to the poor / reduces the gap between rich and poor / may be used to promote equity (1). In a progressive income tax rate system, the tax rate increases (1) as income increases (1).	**4**	Three marks maximum for proportional income tax system and three marks maximum for progressive income tax system.

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Question	Answer	Marks	Guidance
3(c)	**Analyse why a cut in government spending might increase poverty.** Coherent analysis which might include: A cut in government spending might reduce total demand (1) increasing unemployment (1) reducing incomes (1). Government spending on subsidies to firms might be reduced (1) which may raise prices (1). Government spending on education might be reduced (1) this might cause a decrease in skills (1) reducing wages (1) may lead to vicious cycle of poverty (1). Government spending on healthcare might be reduced (1) lowering productivity and wages (1). Government spending on state / unemployment benefits might be reduced (1) reducing goods and services that can be bought (1). Government spending on state pensions might be reduced (1) the old may not be able to buy basic necessities (1).	**6**	

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not a fall in a country’s unemployment rate always benefits workers.

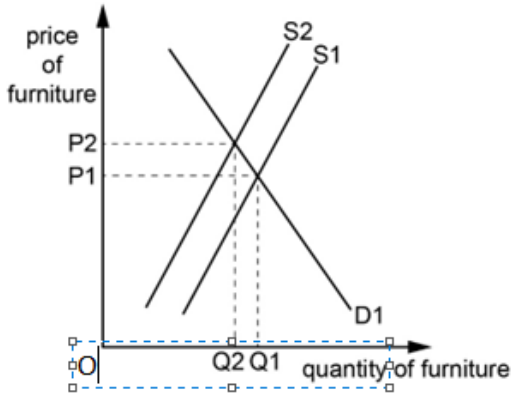
In assessing each answer, use the table opposite.

Why it might be:
• increase choice of jobs
• increase wages
• raise living standards
• increase job security
• competition for workers may raise working conditions
• more may be spent on training.

Why it might not be:
• may be result of workers leaving the labour force e.g. emigrating
• may not benefit all workers as some may still be unemployed
• may not be high quality jobs
• may be low-paid jobs
• may be temporary jobs
• may cause inflation reducing real wages.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
4(a)	**Define *inelastic supply.*** Quantity supplied / supply changes by a smaller percentage change than price (2). Supply changing by less than price / PES less than 1 / PES < 1 / supply unresponsive to change in price (1).	**2**	Allow one mark for PES = 0.
4(b)	**Explain why public goods would not be supplied in a market economic system.** Logical explanation which might include: Public goods are non-excludable (1) it is not possible to stop people who are not prepared to pay for them, from consuming them (1) free rider problem (1). Public goods are non-rival (1) if supplied for one, supplied for everyone and so cannot charge additional consumers (1). Private sector firms are profit motivated (1) they will not produce products if they cannot get revenue from them (1) would make a loss (1).	**4**	No marks for examples.

Question	Answer	Marks	Guidance
4(c)	**Analyse, using a demand and supply diagram, the effect on the market for furniture of an increase in the price of wood.** Coherent analysis which might include: Up to 4 marks for the diagram**:** D&S diagram: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New supply curve shifted to the left (1). Equilibriums – shown by lines P1 and Q1 and P2 and Q2 or equilibrium points E1 and E2 (1). Up to 2 marks for coherent analysis which might include: Would increase costs of production (1) raise price / reduce quantity (traded) (1).	**6**	 Accept increase in price or fall in quantity on their own but not an increase in price of wood or fall in quantity of wood.

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<tr><td>4(d)</td><td>Discuss whether or not advances in technology will benefit a country’s population.

In assessing each answer, use the table opposite.

Why it might:
• may reduce costs of production
• may increase significance of technical economies of scale
• may lower prices
• may make the country’s firms more internationally competitive
• may promote globalisation
• may encourage firms to expand and take on more workers
• economic growth may increase incomes
• may increase quality – less subject to human error
• may create new products
• may improve working conditions
• may extend education through online learning.

Why it might not:
• may increase unemployment
• may make products more standardised / not produced to individual needs
• may increase stress
• may be over dependence on technology which can fail
• may increase fraud
• may cause negative externalities e.g. fracking.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> methods of protection.** Tariffs (1) quotas (1) subsidies (1) embargo (1).	**2**	
5(b)	**Explain <u>two</u> reasons why a government may want to reduce imports.** Logical explanation which might include: To improve the current account of the balance of payments (1) reduce a current account deficit (1) move from a deficit to a surplus / move to a balance / achieve balance of payments stability (1) increase net exports (1). To increase GDP / economic growth (1) switch demand from imports to domestically produced products / increase demand for domestically produced goods / protect domestic firms (1) allow infant industries to grow (1) Prevent dumping (1) the sale of goods from abroad at below cost / predatory prices (1). To increase employment / reduce unemployment (1) to raise living standards (1). To reduce dependence on other countries / make the country more independent (1) as risk of supplies being cut off / price being increased (1). To stop / reduce a fall in the exchange rate (1) less of the currency will be sold to buy imports (1).	**4**	One mark for each of two reasons identified and one mark for each explanation. So, for improve balance of payments reason, there is a maximum of 2 marks.

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Question	Answer	Marks	Guidance
5(c)	**Analyse how a fall in a country's foreign exchange rate could increase its inflation rate.** Coherent analysis which might include: Raise import prices (1) increase price of imported raw materials / capital goods (1) increase costs of production (1) if demand is inelastic (1) cause cost-push inflation / imported inflation (1). Reduce export prices (1) increase demand for exports (1) increase export revenue if demand is elastic (1) switch demand for imports to domestic products (1) increase total demand (1) cause demand-pull inflation (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 a decrease in the rate of interest will increase a country’s GDP.

In assessing each answer, use the table opposite.

Why it might:
• reduce saving
• increase borrowing
• increase consumer spending
• raise total demand
• encourage firms to produce more
• increase investment
• raise ability of firms to produce more

Why it might not:
• households and firms may be worried about the future and so may not spend more
• there may be a culture of saving
• households and firms may think the cut is only temporary
• the rate may initially have been low
• may spend more on imports, increasing other countries’ GDP
• an economy may initially have been at full employment.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(d)			For an answer which shows awareness of how a change in the rate of interest may affect GDP but writes about an increase in the rate of interest = maximum of 2 marks.

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