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Cambridge IGCSE™ (9–1)

ECONOMICS **0987/22**

Paper 2 Structured Questions **May/June 2020**

MARK SCHEME

Maximum Mark: 90

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & 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.

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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Subject Specific Marking Principles (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 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 credit alternative answers/examples which are not written in the mark scheme if they are correct

c 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, e.g. a scattergun approach to a question asking for *n* items

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. erosion/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

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' (OFR) 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 are used to indicate correct answers and crosses to indicate wrong answers. There is a direct relationship between ticks and marks.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who mark that paper.
- For levels of response marking, each level awarded should be clearly annotated on the script the first time it is achieved.

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PREPARATION FOR MARKING

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS

Crossed out work

1 All a candidate's answers, *crossed out* or not, *optional* or not, must be marked.
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
2 **Every mark awarded for a question (as shown in the mark input box to the right of the screen) must be indicated by a correctly positioned tick on the script. The number in the box below the tick annotation must be equal to the mark awarded in the input box.**
3 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

Question	Answer	Marks
1(a)	**Calculate Pakistan's trade in goods balance in 2017.** **–**$36.5bn (1).	**1**
1(b)	**Identify <u>two</u> possible causes of demand-pull inflation in Pakistan in 2017.** Any two from: Higher government spending (1) higher consumer spending / rising population (1) increased investment (1).	**2**
1(c)	**Explain the opportunity cost to Pakistan of producing consumer goods.** Logical explanation which might include: Capital goods (1) resources that could have been used to produce capital goods are being used to produce consumer goods / (next) best alternative forgone (1).	**2**
1(d)	**Explain <u>two</u> reasons why education is a merit good.** Logical explanation which might include: People underestimate full benefit / private benefit (1) not appreciating health and job opportunity benefits (1). People not taking into account external benefits (1) e.g. better quality products/larger quantity of products or economic growth (1).	**4**
1(e)	**Analyse why the children of poor families tend to receive less education than the children of rich families.** Coherent analysis which might include: The children of the poor may not attend school (1) they may have to work (1) to help support their families (1). Poor families are likely to have difficulty paying to have their children educated (1) some schools in Pakistan are in the private sector (1) there seems to be a lack of low-cost schools (1). The children of the poor may leave school at a younger age (1) may miss more school days due to ill health (1).	**4**
1(f)	**Analyse the relationship between GDP per head and imports per head.** Coherent analysis which might include: Generally the countries with the highest GDP per head spend the most per head on imports (1) examples e.g. Norway has the highest income per head and the highest spending on imports per head and Haiti has the lowest income and the lowest spending on imports (up to 2) exception: Russia has a higher income per head than Mexico but a lower spending per head on imports (1). Expected relationship as income rises (1) people can afford more imports (1). The four countries with above average GDP per head spend above the global average on imports (1). The two countries with below average GDP per head spend more on imports (1).	**5**

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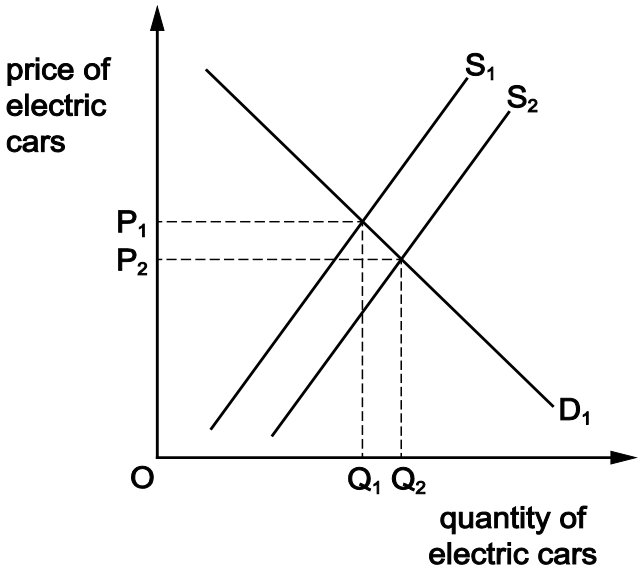
<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(g)</td><td>
Discuss whether or not the supply of teachers in Pakistan is likely to increase in the future.
<table>
<tr><th>Generic example</th><th>mark</th></tr>
<tr><td>Tax revenue may decrease…</td><td>1</td></tr>
<tr><td>...because 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>
Award up to 4 marks for logical reasons why it might, which may include:
• education standards may rise (1) which may increase those qualified to be teachers (1)
• working conditions may improve (1) with better buildings (1)
• population is increasing (1) which may increase the size of the labour force (1).

Award up to 4 marks for logical reasons why it might not, which may include:
• wages may not rise (1) teachers may switch to other jobs (1)
• teachers may emigrate to other countries (1)
• the qualifications required to be a teacher may increase (1) by more than educational standards rise (1).
</td><td>6</td></tr>
<tr><td>1(h)</td><td>
Discuss whether or not an increase in its import tariffs would be likely to benefit the Pakistani economy.

Award up to 4 marks for logical reasons why it might, which may include:
• may reduce the trade deficit (1) by reducing demand for imports (1)
• tax revenue may increase (1) enabling the government to increase its spending (1)
• may help protect infant industries (1) until they can take advantage of economies of scale (1).

Award up to 4 marks for logical reasons why it might not, which may include:
• demand for some finished imports may be price inelastic (1)
• demand for capital goods / raw materials may be inelastic (1)
• incomes may rise (1), leading to higher spending on imports (1)
• other countries may impose trade restrictions (1) reducing Pakistan’s ability to export (1).
</td><td>6</td></tr>
</table>

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Question	Answer	Marks
2(a)	**Define *external costs*.** Harmful effects (1) on third parties (1). Social costs – private costs (1).	**2**
2(b)	**Explain <u>two</u> influences on whether demand for a product is price-elastic or price-inelastic.** Logical explanation which might include: Availability of substitutes (1) close substitutes will be likely to result in demand being price-elastic (1). Whether the product is a luxury or necessity (1) luxuries tend to have elastic demand/necessities tend to have inelastic demand (1). Proportion of income spent on the production (1) demand tends to be inelastic if a small proportion is spent on it/ elastic if a high proportion is spent on it (1) Whether the purchase can be postponed (1) if so, demand is likely to be elastic, if not inelastic. Addictiveness of the product (1) addictive products are likely to have inelastic demand (1). Time period (1) demand tends to become elastic over time (1).	**4**
2(c)	**Analyse, using a demand and supply diagram, how a subsidy given to producers could affect the market for electric cars.**  Up to 4 marks for the diagram: Axes correctly labelled – price and quantity or p and q (1). Demand and supply curves correctly labelled (1). Supply curve shifted to the right (1). Equilibriums – shown by lines P1 and P2 / Q1 and Q2 or equilibrium points E1 and E2 (1). Up to 2 marks for coherent analysis which might include: A subsidy encourages firms to produce more/equivalent to a reduction in costs (1). Price will fall/quantity traded will rise (1).	**6**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
Discuss whether cars should be produced by the private sector or the public sector.

In assessing each answer, use the table below.
<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 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>
</table>

Why cars should be produced by the private sector:
• may be a more competitive market and so prices may be lower
• profit incentive may raise efficiency and encourage firms to produce what consumers want and keep costs low
• may be higher investment which could improve quality and lower costs
• may be easier to raise finance as can sell shares
• may be forced to be efficient as may not be supported by the government

Why cars should be produced by the public sector:
• a private sector monopoly may abuse market power and may restrict supply and raise price
• public sector firm to charge low prices/prices below cost for cheap cars to help the poor
• public sector firms may take into account external costs and benefits/welfare
• the state may have more financial resources and be able to invest on a larger scale.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
3(a)	**State <u>two</u> functions of money, other than a store of value.** One mark each for two from: medium of exchange, measure of value (unit of account) and standard of deferred payments.	**2**
3(b)	**Explain <u>two</u> advantages banknotes have as a form of money.** Logical explanation which might include: Generally acceptable (1) people are prepared to accept them in exchange for products and to settle debts (1). Portable (1) banknotes are light to carry around (1). Divisible (1) notes of different denominations (1). Recognisable (1) notes have distinct features on them known to the population (1). Limited in supply (1) the central bank prints a set number of notes (1). Homogeneous (1) all banknotes of the same value are identical (1).	**4**
3(c)	**Analyse the influences on the mobility of workers.** Coherent analysis which might include: Occupational mobility is influenced by education (1) the more qualifications workers have (1) the more choice of jobs they will have (1). Occupational mobility is influenced by training (1) the more skills workers have (1) the easier they will find it to switch jobs (1). Geographical mobility is influenced by the price/availability of housing (1) The cheaper/more available housing is (1) the easier will workers find it to work in other areas (1). Geographical mobility is influenced by family ties (1) people may be reluctant to move because children are at school/partners have job in a particular area (1). Mobility between countries will be influenced by immigration controls (1).	**6**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(d)</td><td>

Discuss whether or not a central bank should raise the rate of interest.

In assessing each answer, use the table below.

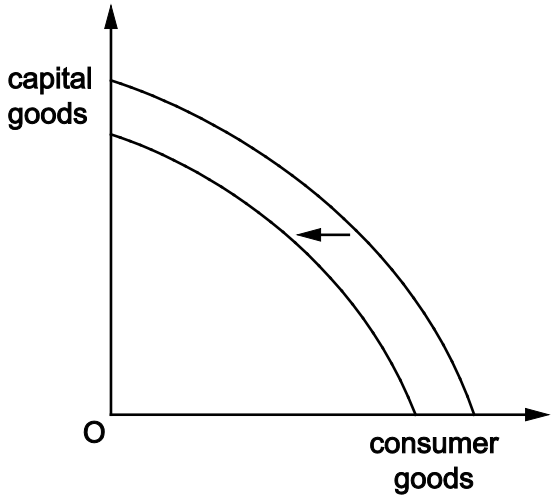
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</table>

Why it should:
- to reduce demand-pull inflation as a higher interest rate may encourage to spend less as it may discourage borrowing and encourage saving
- to reduce borrowing if people and firms are building up unsustainable debt
- to raise the exchange rate if there is downward pressure on a fixed exchange rate
- to reduce a current account deficit if it is thought that lower spending will reduce imports and may discourage exports.

Why it should not:
- it may increase cyclical unemployment by reducing total (aggregate) demand
- it may reduce the economic growth rate as it may discourage investment due to the higher cost of borrowing to purchase capital goods
- it may raise the exchange rate and make exports less price competitive.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
4(a)	**State <u>two</u> qualities of a good tax.** One mark each for two from: convenient, equitable, certain, efficient, flexible.	**2**
4(b)	**Explain <u>two</u> causes of a decrease in the death rate.** Logical explanation which might include: Rises in income (1) leading to better living standards (1). Better education (1) resulting in e.g. better nutrition (1). Better healthcare (1) due to e.g. advances in medical technology (1). Reduction in crime/end of a war (1) fewer people dying violently (1).	**4**
4(c)	**Analyse, using a production possibility curve (PPC) diagram, the effect of a decrease in population size on an economy.**  Up to 4 marks for the diagram: Axes correctly drawn (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 to the left indicated by arrow or letter (1). Up to 2 marks for coherent analysis which might include: A decrease in population size may decrease the size of the labour force (1) decrease productive capacity (1).	**6**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>

Discuss whether or not an ageing population is a benefit to an economy.

In assessing each answer, use the table below.

<table>
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Why it might:
- older people may be an economic asset through their knowledge and experience
- the retirement age may be raised so that the labour force may increase
- in some countries, an increase in the average age of the population may mean more people are in the labour force and may reduce the dependency ratio
- may indicate a good standard of living increasing life expectancy.

Why it might not:
- may be an increase in the dependency ratio with a smaller proportion of workers to support a higher proportion of retired
- any increased spending on healthcare and pensions will involve an opportunity cost
- taxes may have to be increased to finance increased costs of healthcare and pensions
- any shortage of workers may drive up wages and cause cost-push inflation
- older workers may not be up to date with new technology and new ideas

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
5(a)	**State <u>two</u> key questions about how resources are allocated.** One mark each for two from: What to produce, how to produce it, for whom / who gets what is produced.	**2**
5(b)	**Explain two fiscal policy measures that can be used to reduce poverty.** Logical explanation which might include: Rise in government spending on education (1) make it easier for people to gain jobs / better paid jobs (1). Rise in government spending on healthcare (1) providing a basic necessity / increase productivity of workers (1). Subsidise / free provision of food (1) providing a basic necessity / reduce absolute poverty (1). Subsidise / free provision of housing (1) helping those unable to afford housing (1). Increase in state benefits (1) e.g. paying more in unemployment benefit will raise the income of some of the poor (1). Use of progressive taxes / reduction of regressive taxes (1) reduce relative poverty (1).	**4**
5(c)	**Analyse why a country may have low productivity.** Coherent analysis which might include: Education may be low (1) and training may be low (1) workers may lack skills (1). Wages may be low (1) working conditions may be poor (1) reducing the motivation of workers (1). There may a lack of investment (1) workers working with out of date/low quality capital goods (1). Healthcare may be low (1) causing workers to be tired (1).	**6**

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

Discuss whether or not mergers benefit an economy.

In assessing each answer, use the table below.

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</table>

Why they might:
- may enable the new firm to take greater advantage of economies of scale, lower average cost and lower prices, resulting in lower inflation
- may enable the new firm to earn higher profits and spend more on research and development and investment. This could raise the quality of products and increase economic growth
- may enable the new firm to compete more effectively internationally which could improve the current account position
- a vertical merger can increase the efficiency of production by co-ordinating the production stages. This could increase productive potential.

Why they might not:
- the new firm may experience diseconomies of scale, higher average cost and higher prices. This may increase the inflation rate
- a horizontal merger will reduce competition which can increase prices, reduce choice, lower efficiency and reduce quality. This may reduce international price competitiveness which may harm the country's current account position. It could also lower the country's economic growth rate
- the new firm may rationalise and this may result in unemployment.

</td><td>8</td></tr>
</table>