



# Cambridge O Level

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## ECONOMICS

2281/23

Paper 2 Structured Questions

October/November 2023

MARK SCHEME

Maximum Mark: 90

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**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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This document consists of **27** printed pages.

**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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**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).



















**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.

## Common examiner annotations on 0455/2281 and 2286

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

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Question	Answer	Marks	Guidance
1(a)	<b>Calculate Montenegro's budget deficit as a percentage of its GDP.</b>  12.5%.	<b>1</b>	Calculation is -\$0.6 bn divided by \$4.8 bn  Allow 12.5
1(b)	<b>Identify <u>two</u> examples of capital goods in Montenegro.</b>  Computers (1) office buildings (1).	<b>2</b>	These are the only two capital goods mentioned in the text but accept answers such as telecommunications equipment and aluminium production factories
1(c)	<b>Explain <u>one</u> way price elasticity of demand may influence firms' decision making.</b>  If demand is price elastic / high (1) firms will know that if they raise price, revenue will fall / if they lower price, revenue will rise (1).	<b>2</b>	One mark for the way identified and one mark for an explanation.  Note: source material only mentions demand for holidays as being price-elastic.  No mark for identifying price-inelastic but do allow second mark that price inelastic demand means if they raise price revenue will rise / if they lower price, revenue will fall.  Do not reward impact on demand or on profits
1(d)	<b>Explain <u>two</u> ways the pattern of employment has changed in Montenegro in recent years.</b>  <b>Logical explanation which might include:</b> Higher proportion of workers employed in the tourism industry / tertiary sector (1) growth in tourism / lower proportion employed in primary and secondary sectors (1).  More workers employed in the private sector / commercial banks / telecommunications / aluminium products (1) due to privatisation / less employed in state sector (1).	<b>4</b>	One mark each for each of two reasons identified and one mark each for each of two explanations.  Note: question requires a reason for the <b>change</b> in pattern of employment

Question	Answer	Marks	Guidance
1(e)	<p><b>Draw a demand and supply diagram to show the effect of a minimum price set above the equilibrium price on the market for oranges.</b></p> <p><b>Coherent analysis:</b>  Demand and supply diagram:  Axes correctly labelled – price and quantity or p and q (1).  Original demand and supply curves correctly labelled (1).  Minimum Price / Price floor line set above the equilibrium and correctly labelled – accept Pmin or Pm or MP but not P2.  Supply shown as greater than demand e.g. labelling of <math>Q_d &lt; Q_s</math> (1).</p> <p>Note: No mark for showing minimum price if also shows a shift in supply or demand curve as it is no longer above market equilibrium.  Ignore all written comments.</p>	4	



Question	Answer	Marks	Guidance
1(f)	<p><b>Analyse the relationship between countries' trade in goods and services balance and their current account balances.</b></p> <p><b>There are two approaches to answering this question:</b></p> <p><b>Approach A: Coherent analysis which might include:</b>  <b>Expected relationship: MAX 2 marks.</b></p> <p>Positive / direct relationship (1).</p> <p>Countries which have a deficit on the trade in goods and services balance might be expected to have a deficit on the current account balance (1).  Countries which have a surplus on the trade in goods and services balance might be expected to have a surplus on the current account balance (1).</p> <p><b>Supporting evidence: MAX 2 Marks</b>  Three countries / Bosnia &amp; Herzegovina / Kosovo / Montenegro all have a deficit on the trade in goods and service balance also had a deficit on the current account balance (1) two countries / Bulgaria / Slovenia had a surplus on the trade in goods and service balance but also had a surplus on the current account balance (1).</p> <p><b>Exception: Max 2 marks</b>  Croatia (1) had a deficit on trade in goods and services balance but a surplus on the current account balance (1).</p> <p><b>Approach B:</b>  <b>Expected Relationship: Max 2 marks.</b></p>	5	<p>Allow income for primary income and current transfers for secondary income.</p> <p>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.</p> <p>Do not accept relationship is directly proportional.</p>

Question	Answer	Marks	Guidance
1(f)	<p>There is no expected relationship as the current account balance contains other items which can either be positive or negative (1) and are not dependent on the trade in goods and services (1).</p> <p><b>Supporting evidence: Max 2 marks</b></p> <p>There are 5 countries where the current account balance is higher than the trade in goods and services balance (1) example (1).</p> <p><b>Exception: Max 2 marks</b></p> <p>Slovenia (1) where current account balance is worse than trade in goods and services balance / trade in goods and services is \$4.6bn but current account balance is only \$3.0bn (1).</p> <p><b>Analysis for both approaches: Max 3 marks</b></p> <p>Trade in goods and services is the largest component of the current account (1) current account also includes primary income and secondary income (1) Bosnia &amp; Herzegovina, Bulgaria, Croatia, Kosovo and Montenegro must have had a surplus on the primary and secondary income (1) Slovenia must have had a deficit on the primary and secondary income (1).</p>		

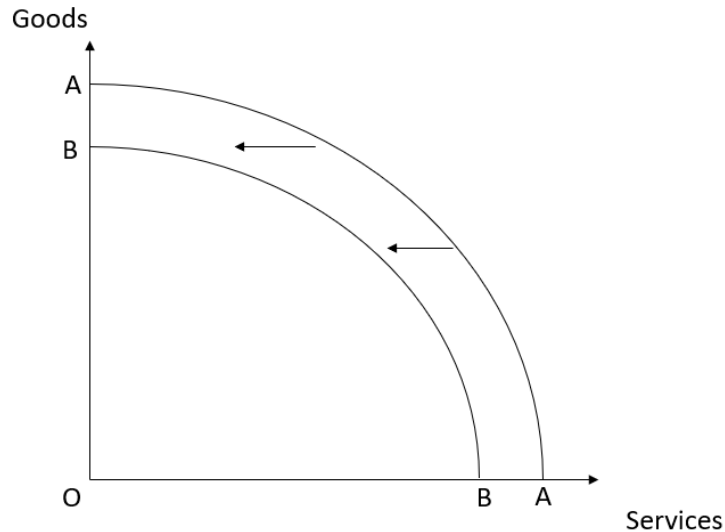
Question	Answer	Marks	Guidance										
1(g)	<p><b>Discuss whether or not privatisation is likely to have benefited consumers in Montenegro.</b></p> <p><b>Award up to 4 marks for logical reasons why it might, which may include:</b></p> <ul style="list-style-type: none"><li>Firms are profit driven (1) may have increased investment / research &amp; development (1) raising quality of goods and services (1) lowered cost of production (1)</li><li>more firms entering the market (1) increased competition (1) may reduce prices (1) may give more choice to consumers (1)</li><li>firms may respond more quickly (1) to changes in consumer demand (1).</li></ul> <p><b>Award up to 4 marks for logical reasons why it might not, which may include:</b></p> <ul style="list-style-type: none"><li>state-owned firms may have been subsidised (1) investment may be now lower (1)</li><li>privatised firms may be profit maximisers (1) may become monopolies (1) and may restrict supply (1) to push up prices (1) lowered quality of goods produced (1) creates inequality as not all consumers can afford to buy (1)</li><li>privatised firms may be smaller (1) and so not able to take advantage of economies of scale (1)</li><li>privatised firms do not take account of external costs (1) e.g. pollution (1).</li></ul> <p><b>Award one mark for an accurate explanation of what is meant by privatisation.</b></p>	6	<p>Apply this example to all questions with the command word DISCUSS (1g, 1h, 2d, 3d, 4d and 5d)</p> <p>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.</p> <table><tr><th>Generic Example</th><th>Marks</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> <p>Note: The question is about the impact on consumers. Do not reward answers that relate to the economy or the government.</p>	Generic Example	Marks	Tax revenue may decrease...	1	...because of reason e.g. incomes may be lower.	1	Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.	0	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.	1
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Question	Answer	Marks	Guidance
1(h)	<p><b>Discuss whether or not deflation would benefit the Montenegro economy.</b></p> <p><b>Award up to 4 marks for logical reasons why it might, which may include:</b></p> <ul style="list-style-type: none"> <li>could make products more internationally competitive (1) leading to greater exports (1) reducing imports (1) improving the current account balance / reducing a deficit on the current account (1)</li> <li>if caused by advances in technology / supply side measures e.g. higher labour productivity (1) could increase output (1) and employment (1) and lead to economic growth / higher standard of living (1).</li> </ul> <p><b>Award up to 4 marks for logical reasons why it might not, which may include:</b></p> <ul style="list-style-type: none"> <li>current inflation rate is only 0.4% (1)</li> <li>greater uncertainty (1) could discourage consumer spending / investment by firms (1) as households and firms could expect prices to fall further (1)</li> <li>if caused by a fall in total demand (1) could reduce output (1) and causing recession (1) firms make losses / go out of business (1) could cause more unemployment (1) and unemployment is already high at 18% (1)</li> <li>could increase a budget deficit (1) due to lower tax revenue from lower sales taxes / income taxes (1) increase in unemployment benefits (1).</li> </ul> <p><b>Award one mark for an accurate explanation of what is meant by deflation e.g. a fall in the price level is sufficient here.</b></p>	6	<p>Reward but do not expect explanation of benign and malign deflation.</p> <p>Allow reference to demand-side deflation but not demand-pull deflation or cost-push deflation as they are not acceptable terms.</p>

Question	Answer	Marks	Guidance
2(a)	<p><b>Identify <u>two</u> reasons why a person may experience absolute poverty.</b></p> <p><b>Two from:</b></p> <ul style="list-style-type: none"> <li>• unemployment</li> <li>• sickness / mental health / poor health</li> <li>• old age</li> <li>• refugees</li> <li>• war / famine / natural disasters</li> <li>• lack of government benefits</li> <li>• low level of education / social skills</li> <li>• income too low to afford basic necessities.</li> </ul>	<b>2</b>	If more than two reasons are given, consider the first three.

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Question	Answer	Marks	Guidance
2(b)	<p><b>Explain <u>two</u> causes of an increase in a country's economic development.</b></p> <p><b>Logical explanation which might include:</b></p> <p>Improvements in education (1 improve production capacity can raise wages / reduce unemployment (1).</p> <p>Improvements in healthcare (1) can increase life expectancy (1).</p> <p>Improvements in technology (1) better quality goods and services (1)</p> <p>Increase in savings (1) provide finance for investment (1).</p> <p>Increase in investment (1) raise quality of output / economic growth (1).</p> <p>Increase in FDI (1) can increase job opportunities (1).</p> <p>Increase in proportion of workers in the tertiary sector (1) working conditions / pay may be better (1).</p> <p>Increase in incomes (1) able to buy more goods and services (1).</p> <p>Increase in government expenditure on infrastructure (1) improves labour mobility / access to resources (1).</p> <p>Increase in international trade / exports (1) creates more jobs / income (1).</p> <p>Discovery of new resources (1) e.g. oil improves production (1).</p>	<b>4</b>	<p>One mark each for each of two causes identified and one mark each for each of two explanations.</p> <p>If more than two causes are given, consider the first three.</p> <p>Note: the development mark might apply to several causes and are therefore interchangeable.</p>

Question	Answer	Marks	Guidance
2(c)	<p><b>Analyse, using a production possibility curve (PPC) diagram, the effect of a serious storm on an economy.</b></p> <p><b>Up to 4 marks for the diagram:</b></p> <p>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).</p> <p><b>Up to 2 marks for coherent analysis which might include:</b></p> <p>A serious storm will reduce resources / reduce availability of factors of production / destroy infrastructure (1) reduce the ability to produce goods and services / reduce maximum capacity / reduce productive capacity (1).</p> <p>Note: both curves must touch both axes to get the marks.</p> <p>Note: Axes need labelling such as good X / good Y or capital goods and consumer goods. Labelling A and B is not sufficient.</p>	6	

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Question	Answer	Marks	Guidance		
2(d)	<p><b>Discuss whether or not imposing tariffs on imports will increase a country's output.</b></p> <p><b>In assessing each answer, use the table opposite.</b></p> <p><b>Why it might:</b></p> <ul style="list-style-type: none"> <li>increase price of imports which may reduce demand for imports</li> <li>people may switch to buying domestically produced products</li> <li>net exports may increase, raising total demand</li> <li>the higher demand may encourage the country's firms to produce more goods and services</li> <li>government could use tax revenue to subsidise domestic goods.</li> </ul> <p><b>Why it might not:</b></p> <ul style="list-style-type: none"> <li>even with tariffs, imports may still be cheaper than domestically produced products</li> <li>there may not be domestically produced substitutes</li> <li>if tariffs are put on raw materials and capital goods, costs of production could rise and demand may fall</li> <li>other countries may retaliate, raising price of exports and reducing demand for the country's exports.</li> </ul> <p><b>Note: level 1 would be knowledge and understanding of imports and tariffs or just identification of points.</b></p>	8	Level	Description	Marks
			3	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.	6–8
			2	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.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0



Question	Answer	Marks	Guidance
3(a)	<b>Identify <u>two</u> types of economic system.</b>  Market (1) mixed (1).	<b>2</b>	Also accept but do not expect: planned / command. No marks for free market system or controlled market system.
3(b)	<b>Explain <u>two</u> functions of a central bank.</b>  <b>Logical explanation which might include:</b>  Operates monetary policy / controls inflation (1) e.g. sets the rate of interest / manages the money supply (1).  Carries out quantitative easing (1) to stimulate economic activity during a financial crisis (1).  Issues notes and coins (1) often the only bank allowed to do so (1).  Acts as bank to the government (1) receives payments to the government and makes payments on behalf of the government / manages the national debt (1).  Acts as lender of last resort (1) lends to commercial banks in difficulties (1).  Holds reserves of foreign currency (1) to influence the exchange rate (1).  May regulate banking system (1) ensuring banks do not take too many risks (1).	<b>4</b>	One mark each for each of two functions identified and one mark each for each of two explanations.  If more than two functions are given, consider the first three.

Question	Answer	Marks	Guidance
3(c)	<p><b>Analyse the advantages of a young population.</b></p> <p><b>Coherent analysis which might include:</b></p> <p><b>A young population may:</b></p> <p>be more up to date with modern technology (1) may have received more education / training / are more skillful (1) be more productive (1) increase output (1).</p> <p>add to the labour force (1) increasing productive capacity (1) greater tax revenue (1) government can spend more e.g. to improve infrastructure (1).</p> <p>lead to lower government expenditure on pensions (1) and health services for the elderly (1) so can spend more on factors leading to economic growth e.g. education / infrastructure (1).</p> <p>be more geographically mobile (1) e.g. have fewer family ties (1).</p> <p>be more occupationally mobile (1) less attached to particular jobs / broader range of skills (1).</p> <p>spend more of their income than older people (1) be more innovative (1) able to start their own businesses (1) increasing output / wealth (1).</p> <p>be physically fit / stronger (1) less likely to be off sick (1).</p> <p>be a more skilled labour force (1) will attract investment from abroad / FDI (1).</p>	6	

Question	Answer	Marks	Guidance		
3(d)	<p><b>Discuss whether or not a ban on cars in a city will benefit the city's households and firms.</b></p> <p><b>In assessing each answer, use the table opposite.</b></p> <p><b>Why it might:</b></p> <ul style="list-style-type: none"> <li>• may reduce air and noise pollution</li> <li>• avoid traffic congestion</li> <li>• reduce staff absence through illness</li> <li>• avoid accidents</li> <li>• greater demand for public transport</li> <li>• greater employment in public transport</li> <li>• pedestrianised shopping centres may attract more customers</li> <li>• free up police and court time</li> <li>• raise quality of life</li> <li>• frees up funds to spend on better education / health / housing.</li> </ul> <p><b>Why it might not:</b></p> <ul style="list-style-type: none"> <li>• journey times by e.g. bikes may take longer</li> <li>• people can enjoy driving</li> <li>• may reduce visitors to the area, lowering demand for shops</li> <li>• may lower house prices</li> <li>• car sales firms will move out of the area</li> <li>• reduces labour mobility.</li> </ul> <p><b>Note: level 1 would be knowledge and understanding of terms such as ban, city, household or firms or just identification of points.</b></p>	8	Level	Description	Marks
			3	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.	6–8
			2	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.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0

Question	Answer	Marks	Guidance
4(a)	<p><b>Identify <u>two</u> characteristics of money.</b></p> <p>Two from:</p> <ul style="list-style-type: none"> <li>• generally acceptable</li> <li>• portable</li> <li>• recognisable</li> <li>• divisible</li> <li>• durable</li> <li>• limited in supply / scarce</li> <li>• uniformity</li> </ul>	<b>2</b>	<p>If more than two characteristics of money are given, consider the first three.</p> <p>Accept an explanation of a characteristic e.g. money is easy to carry rather than using the word portable.</p>

Question	Answer	Marks	Guidance
4(b)	<p><b>Explain <u>two</u> reasons why a reduction in their working hours may not cause public sector workers to move to working in the private sector.</b></p> <p><b>Logical explanation which might include:</b></p> <p>Wages may still be higher in the public sector (1) enabling workers to buy more goods and services (1).</p> <p>Fringe benefits may be better in the public sector (1) e.g. more generous state pensions (1).</p> <p>Reduction in working hours results in more leisure time (1) improving work life balance (1).</p> <p>Job security may be better in the public sector (1) less worry about losing jobs / few job opportunities in the private sector (1).</p> <p>Skills are not transferable to the private sector (1) e.g. occupational immobility (1).</p> <p>Working conditions may be better in the public sector (1) e.g. better health and safety standards (1).</p> <p>Reduction in working hours may not result in less pay (1) making working in the public sector more attractive / may benefit from more leisure time / reduction in stress at work (1).</p>	4	<p>Also accept approach from the point of view of why workers would not want to work in the private sector.</p> <p>One mark each for each of two reasons identified and one mark each for each of two explanations.</p> <p>If more than two reasons are given, consider the first three.</p>

Question	Answer	Marks	Guidance
4(c)	<p><b>Analyse how advances in technology could affect firms' profits.</b></p> <p><b>Coherent analysis which might include:</b></p> <p><b>Advances in technology:</b></p> <p>will improve the quality of capital goods (1) this could raise productivity / efficiency (1) higher output / lower costs of production (1) increase profits (1).</p> <p>could raise the quality of products (1) create new products (1) increase demand / revenue (1).</p> <p>could lead to new products / innovation (1) which may lead to lower demand for related products leading to loss of profits (1) example e.g. development of electric cars has led to fall in demand for diesel cars (1).</p> <p>can enable online training of new skills (1) improving productivity / speeding up training / increases number that can be trained (1).</p> <p>can improve internet and social media links (1) able to contact more potential customers in other countries (1) thereby increasing revenue / profit (1).</p> <p>due to the initial high cost of buying / developing advanced technological equipment (1) can reduce profits in the short run (1).</p> <p>could lead to small firms being forced out of business (1) due to the cost of new technology / and its maintenance (1) reducing profits / making a loss (1).</p>	6	Note: Only reward lower cost of production once.

Question	Answer	Marks	Guidance		
4(d)	<p><b>Discuss whether or not a decrease in government spending will increase unemployment.</b></p> <p><b>In assessing each answer, use the table opposite.</b></p> <p><b>Why it might:</b></p> <ul style="list-style-type: none"> <li>a cut in government spending could on education / training could reduce skills / qualifications and labour productivity</li> <li>reduction in skills / qualifications could increase structural unemployment</li> <li>cut in government spending on public sector workers' wages could reduce, their motivation, may resign</li> <li>lower government spending on providing information about job vacancies could increase frictional unemployment</li> <li>lower government spending could reduce total demand which could cause cyclical unemployment.</li> </ul> <p><b>Why it might not:</b></p> <ul style="list-style-type: none"> <li>may reduce inflation, making products more internationally competitive, raising net exports</li> <li>cut in government spending on unemployment benefits may reduce frictional unemployment</li> <li>may enable taxes to be cut which could increase consumer spending and investment, leaving total demand and unemployment unchanged</li> <li>amount of government spending may fall but it may be spent more effectively e.g. training may be more directed at skills required to fill vacancies.</li> </ul> <p><b>Note: Level 1 would be knowledge and understanding of unemployment and government spending or just identification of points.</b></p>	8	Level	Description	Marks
			3	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.	6–8
			2	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.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0

Question	Answer	Marks	Guidance
5(a)	<p><b>Define a Consumer Prices Index.</b></p> <p>A measure of inflation / cost of living (1) using weights / basket of goods and services (1).</p>	2	
5(b)	<p><b>Explain <u>two</u> ways a government could intervene to reduce market failure.</b></p> <p><b>Logical explanation which might include:</b>            Subsidise merit goods (goods with positive externalities) (1) to encourage consumption / production (1).            Tax on demerit goods (goods with negative externalities) (1) to discourage consumption / production (1).            Apply maximum price on merit goods (1) to increase consumption (1) <b>OR</b> apply minimum price on demerit goods (1) to reduce consumption (1)            Finance / produce public goods (1) as private sector firms will have no incentive to produce them (1).            Regulate monopolies (1) to restrict exploitation of market power (1).            Provide education / training / public information campaign (1) to raise awareness of benefits of a merit good / drawbacks of a demerit good (1)            Provide education / training (1) to increase labour mobility (1).</p>	4	<p>One mark each for each of two ways identified and one mark each for each of two explanations.</p> <p>If more than two ways of government intervention are given, consider the first three.</p>



Question	Answer	Marks	Guidance
5(c)	<p><b>Analyse how an increase in a country's foreign exchange rate could reduce inflation.</b></p> <p><b>Coherent analysis which might include:</b></p> <p>A rise in the exchange rate / appreciation of a currency (1) can increase export prices (1) lower import prices (1).</p> <p>Net exports may fall (1) exports form part of total demand (1) reducing demand-pull inflation (1).</p> <p>Lower import prices will increase pressure for firms to keep price rises low (1) lower imported raw material prices (1) reduce costs of production (1) reduce cost-push inflation (1).</p>	6	

Question	Answer	Marks	Guidance		
5(d)	<p><b>Discuss whether or not an increase in a country's economic growth rate will reduce emigration from the country.</b></p> <p><b>In assessing each answer, use the table opposite.</b></p> <p><b>Why it might:</b></p> <ul style="list-style-type: none"> <li>• employment may increase</li> <li>• people will not have to seek jobs abroad</li> <li>• incomes may rise / poverty may decrease</li> <li>• tax revenue may be higher, allowing the government to spend more on e.g. education and healthcare.</li> </ul> <p><b>Why it might not:</b></p> <ul style="list-style-type: none"> <li>• incomes may still be low</li> <li>• income can be unevenly distributed</li> <li>• may not expect rise in growth rate to last</li> <li>• there may be higher economic growth and job opportunities in other countries</li> <li>• pollution levels may increase</li> <li>• may lead to higher external costs e.g. pollution</li> <li>• economic growth comes at cost of worse working conditions</li> <li>• there are other reasons for emigrating.</li> </ul> <p><b>Note: level 1 would be knowledge and understanding of economic growth and emigration or just identification of points.</b></p>	8	Level	Description	Marks
			3	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.	6–8
			2	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.	3–5

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Question	Answer	Marks	Guidance		
5(d)			Level	Description	Marks
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0