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Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

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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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.

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Question	Answer	Marks
1(a)	**Calculate the total number of people over 60 years old in Greece in 2015.** 27% × 10.8 million = 2.92 million	**1**
1(b)	**Explain what is meant by an unemployment rate of 24%.** Logical explanation which might include: 24% of the total labour force (1) is actively searching for jobs (willing and able to work) but cannot find work/job (1)	**2**
1(c)	**Identify <u>two</u> reasons for the recovery of the European economies, other than Greece.** successful supply-side policy measures (1) improving global economy (1)	**2**
1(d)	**Explain the <u>two</u> supply-side policy measures being used by the Greek government.** Logical explanation which might include: labour market reforms (1) making it easier to hire and fire workers / giving workers more skills to enable them to take various jobs / making it easier for workers to move from one place to another or one job to another (1) Privatisation (1) increasing efficiency due to the profit-maximising motive (1)	**4**
1(e)	**Analyse how <u>two</u> of Greece's population trends may have affected its economy.** Coherent analysis which might include: The Greek population has been falling ever since 2010 (1) resulting in a smaller labour force (1). Ageing population (1) increase in dependency ratio (1). Emigration (1) loss of skilled workers (1).	**4**
1(f)	**Analyse the relationship between Greece's GDP per head and its HDI value.** Coherent analysis which might include: Greece's GDP per head has been falling from 2010–2015 (1) but HDI has been increasing (1) negative relationship (1) data for GDP per head (1) data for HDI value (1). This could be because of improving education (1) and healthcare (1). HDI consists of GDP per head / education / health (1) hence even though GDP per head is falling this is more than offset by rise in education / health (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 having a strong foreign exchange rate is a problem for Greece's economy.

<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>

Up to 4 marks for why it might be a problem:
Strong foreign exchange rate will lead to high price of exports (1) decreasing the quantity demanded for exports (1) decreasing value of exports (1) strong foreign exchange rate will lead to low price of imports (1) increasing the quantity demanded for import (1) increasing value of imports (1) decreasing net exports (1) decreasing total demand (1) decreasing economic growth (1) decreasing employment (1).

Up to 4 marks for why it might not be a problem:
Strong foreign exchange rate will lead to low price of imported raw materials, machines / capital, or semi manufactured goods (1) this could decrease cost of production (1) decreasing the price of domestically produced goods (1) increasing demand / consumption / exports (1) increasing total demand (1) increasing economic growth (1) increasing employment (1)</td><td>6</td></tr>
<tr><td>1(h)</td><td>Discuss whether or not a market economic system improves living standards.

Up to 4 marks for why it does improve living standards:
Economic freedom (1) consumers and producers can make their own decisions on what to consume and produce (1) no government intervention enables more efficient allocation of resources (1) firms react to the wants of consumers to gain profits for themselves then consumers are fairly likely to get what they want and gain high levels of satisfaction from their income (1) costs are lower and prices are lower (1) more affordable (1).

Up to 4 marks for why it does not improve living standards:
Instability and uncertainty (1) Unemployment especially when there is a recession (1) high inflation could decrease affordability (1) monopolies exploit consumers (1) workers paid low wages (1) pollution and other external costs (1) Unequal distribution of income and wealth (1) under provision of public goods (1).</td><td>6</td></tr>
</table>

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Question	Answer	Marks
2(a)	**State <u>two</u> functions of local government.** • providing public goods • providing street lights • local recreation activities • cleaning • waste collection and management • infrastructure investment • providing tax incentive • zoning • provision of low income housing • supporting local businesses	**2**
2(b)	**Explain how a lower cost of living can encourage population growth**. Logical explanation which might include: Cheaper to bring up a child (1) education and healthcare cost lower or any other example (2) parents don't have to work so hard (1) more time to raise children (1). Lower cost of living could lower death rate (1) as healthcare is more affordable (1) and people can live longer (1). Lower cost of living could encourage net migration (1) cheaper to live in that country (1).	**4**
2(c)	**Analyse the influences on the mobility of two factors of production.** Coherent analysis which might include: Availability of proper infrastructure (1) to move from place to place (1) e.g. trains / roads (1) whether it is affordable or not (1). Cost of living differences (1) whether workers can afford to move to another place (1) e.g. housing costs, cost of education (1). Availability of information (1) on jobs elsewhere (1). Tax rate changes (1) lower tax rates could encourage workers to move to another country to take advantage of lower taxes (1) / entrepreneurs could be encouraged to move to a lower tax economy (1). Regulation changes (1) could limit movement of labour or capital (1). Level of education (1) could make labour more occupationally mobile (1). No reward for only identifying the factors of production. Accept other relevant factors e.g. cultural differences (up to 3 marks each).	**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 or not increased investment is beneficial to an economy.

In assessing each answer, use the table opposite.

<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>

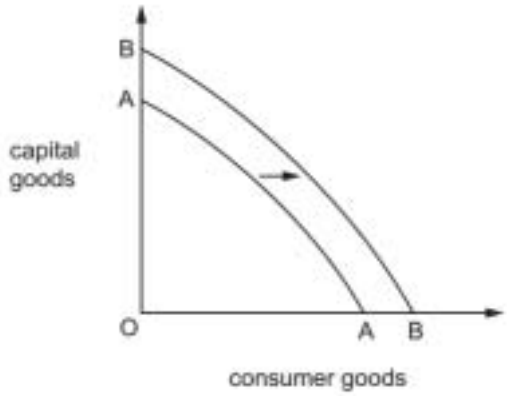
Why it might be beneficial:
- Investment is the purchasing of capital goods which increase a country’s productive capacity / supply-side capacity of the economy
- Investment increase total demand
- Investment increase demand for workers, decrease unemployment, increase income
- Increase spending on research and development and increase productivity
- Create economic growth

Why it might not be beneficial:
- Investments may lead to inflation (demand-pull) in the short run
- Investments on capital goods has an opportunity cost of consumer goods production
- Investments sacrifices current living standards for future living standards
- Foreign investments might be very uncertain – knows no loyalty – very mobile.
- Capital goods may be a substitute for labour, which creates unemployment.

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

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Question	Answer	Marks
3(a)	**State <u>two</u> benefits of free trade.** Any two from: Increase choices, more competition, lower prices, more specialisation	**2**
3(b)	**Explain <u>two</u> reasons why governments levy taxes.** Logical explanation which might include: To be able to fund government spending (1) types of government spending (1) to improve standards of living (1). To be able to control inflation (1) fiscal policy (1) reducing total demand (1). To reduce inequality (1) tax the rich and help the poor (1). To discourage the consumption of demerit good (1), to improve allocation of resources / reduce external cost (1) to change external costs to private costs (1) e.g. reduce pollution (1). To reduce imports (1) to protect home producers (1).	**4**
3(c)	**Analyse, using a production possibility curve (PPC) diagram, the impact of higher labour productivity on an economy.**  Up to 4 marks for the diagram: Axes correctly drawn (1) Initial curve or line sloping downward drawn to the axes (1) New curve or line sloping downward drawn to the axes (1) Shift to the right indicated by arrow or lettering (1). Up to 2 marks for coherent analysis which might include: Higher labour productivity will increase output per worker (1) increase productive capacity (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 MNCs always benefit their host countries.

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 they might:
- bring in more investment
- increase total demand and economic growth
- provide more employment opportunities
- bring in more foreign capital and more advanced machinery.

Why they might not:
- MNCs might exploit local workers, pay low wages / provide low quality working environments
- most profits of MNCs not reinvested back into the domestic economy but brought back to home country
- big MNCs may meddle with domestic policy making.

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

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Question	Answer	Marks
4(a)	**Define *profit maximisation*.** When a firm produces at the level of output (1) which makes the highest profits for the firm (1). When a firm produces where the gap between TR and TC (1) is largest (1). Reward, but do not expect, produce at a point where MC = MR	**2**
4(b)	**Explain <u>two</u> types of mergers** Logical explanation which might include: Horizontal (1) when two or more firms from the same industry and the same stage of production merge (1). Vertical (1) when two or more firms from the same industry but different stage of production merge (1). Conglomerate (1) when two or more firms from different industries merge (1). Allow vertical forward and vertical backward as two separate points.	**4**
4(c)	**Analyse how fiscal policy can encourage firms to produce more.** Coherent analysis which might include: Reduce corporation tax (1) could lead to more profits after tax (1) enabling firms to invest more and expand (1). Reduce income tax (1) could increase spending (1) raise total demand (1) encouraging firms to produce more (1). Increase government spending (1) such as increasing subsidies (1) could lead to firms being able to expand production (1) decreasing cost of production (1) decreasing prices (1) increasing demand for the firms' products (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 maximum prices are beneficial.

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 maximum prices will be beneficial:
• More affordable products
• More choices for consumers
• Less poverty
• To prevent exploitation of consumers by producers – especially monopolies
• Firms forced to become more efficient to be able to make profit.

Why maximum prices will not be beneficial:
• Producers will not want to supply that much
• Firms leave the market
• Could lead to shortage
• Black market creation
• Less choices for consumers</td><td>8</td></tr>
</table>

Question	Answer	Marks
5(a)	**Define *market failure*.** Market failure is when the market mechanism / price mechanism / demand and supply (1) does not lead to an efficient allocation of resources (1).	**2**

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Question	Answer	Marks
5(b)	**Explain <u>two</u> influences, other than weather, that could affect the demand for a product.** Logical explanation which might include: Price of substitutes (1) If the price of substitutes increase, demand for the product will increase or vice versa (1). Price of complements (1) If the price of complements increase, demand for the product will decrease or vice versa (1). Expected future prices (1) if the price is expected to increase in the future, demand for the product will increase now or vice versa (1). Advertising (1) if there is a successful advertising campaign, demand will increase (1). Income (1) if income increases, demand will increase for a normal good or vice versa (1). Change in price (1) if price increases, demand will contract, vice versa (1).	**4**
5(c)	**Analyse the possible effects of a shortage of a product such as energy on an economy.** Coherent analysis which might include: Low supply (1) high prices (1) increase cost of production for firms (1). Cost-push inflation (1) firms might try to cut cost (1) by firing workers (1) increase unemployment (1). Increase price of goods and services (1) decrease affordability (1) decrease demand for goods and services (1) decrease standards of living (1). More imports to address shortage (1) less production (1) leading to lower growth rate (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 workers benefit from division of labour.

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 it is a benefit:
• saves time
• increased skills
• increased productivity
• increased wages

Why it is not a benefit:
• increased boredom
• limited skills
• lack of motivation
• lack of occupational mobility
• overdependence on others
</td><td>8</td></tr>
</table>

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