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Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/21**

Paper 2 Structured Questions **October/November 2022**

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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

Cambridge International is publishing the mark schemes for the October/November 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **22** printed pages.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Common examiner annotations on 0455/2281/0987 and 2286

	Uncertain what the candidate means – an illogical line of thought		MAX	MAX
BOD	Benefit of the doubt		NAQ	Not answered question
BP	Blank page		NE	Not established – a statement made without any support
	Caret – a word is missing.		REP	Repetition
CON	Confused		SEEN	SEEN
	Cross			Tick – a credit worthy point
	Highlight		TV	Too vague
L	Nothing creditworthy			
L1	Level 1			
L2	Level 2			
L3	Level 3			

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Question	Answer	Marks	Guidance
1(a)	**Calculate the total value of the tertiary sector in Mauritius in 2019.** $10.79 billion	**1**	$ sign not essential.
1(b)	**Explain the meaning of a change from an economy based on the primary sector to one based on the tertiary sector.** When an economy moves from mainly primary industries e.g. agriculture / fishing (1) to mainly tertiary industries e.g. tourism. (1)	**2**	Accept any examples of primary sector industry for 1 mark and any examples of tertiary sector-based industry for 1 mark.
1(c)	**Identify <u>two</u> indicators of improving healthcare in Mauritius.** Life expectancy increased (1) and infant mortality rate fallen. (1)	**2**	
1(d)	**Explain <u>two</u> reasons why millions of tourists visit Mauritius each year.** Coherent analysis which might include: Mauritius has tourist attractions (1) such as its beautiful beaches (1). Easy to travel to Mauritius (1) as the government does not require visa / just need passport (1). Good infrastructure (1) such as good airports / ports and public transport around the island (1).	**4**	
1(e)	**Explain <u>two</u> advantages of setting up a firm in Mauritius.** Fast growth (1) higher incomes which leads to higher consumption of good and services (1). Political stability (1) which reduces risk / increases confidence (1). Low levels of regulations to start and run a business (1) lower cost of start up / easier to register for a business (1). Better infrastructure (1) more efficient / lower cost of production (1).	**4**	

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Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between the percentage of international trade to GDP and GDP per head.** Coherent analysis which might include: Overview Generally, as percentage of international trade to GDP increases, GDP per head is increasing as well / positive relationship between percentage of international trade to GDP and GDP per head (1). Supporting Evidence Kenya has the lowest percentage of international trade to GDP and lowest GDP per head (1) while Luxembourg has the highest percentage of international trade to GDP and highest GDP per head (1). Exception Mauritius (1) where percentage of international trade to GDP is higher than Qatar but GDP per head is lower (1). Comments This is because trade brings gains from specialisation / enables exploitation of economies of scale (1) increases earnings from exports / total demand / economic growth (1)	**5**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not outward investment might benefit a Mauritian firm.

Award up to 4 marks for logical reasons why it might be beneficial, which might include:
• Enables firms to enter new markets (1) increase export (1) increase revenues (1) achieve economies of scale (1) e.g. of economies of scale (1) increase output (1) increase profits (1).
• Import products at a lower cost (1) lower cost of production (1).
• Increase access to foreign technology (1) better quality / higher productivity (1) decrease average cost (1).

Award up to 4 marks for logical reasons why it might not be beneficial, which might include:
• Capital aboard might not be reinvested back (1) to help the firm in the home country (1) lower firm’s potential productivity (1) decrease profits (1).
• Changes in international economy may affect potential earnings (1) recession in another country will affect export earnings (1) may create recession domestically as well (1) decrease output (1).
• Other countries might impose restrictions on Mauritian investment (1) or Mauritian government could impose restrictions on outward investment (1) cost might be higher (1).</td><td>6</td><td>Apply this example to all questions with the command word DISCUSS (1g, 1h, 2d, 3d, 4d and 5d)

Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.

<table><tr><th>Generic example</th><th>mark</th></tr><tr><td>Tax revenue may decreases</td><td>1</td></tr><tr><td>because of reason e.g. incomes may be lower.</td><td>1</td></tr><tr><td>Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td><td>0</td></tr><tr><td>Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.</td><td>1</td></tr></table></td></tr>
</table>

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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not government infrastructure spending benefits the Mauritian economy.** Award up to 4 marks for logical reasons why it might be beneficial, which might include: • Increase efficiency / productivity (1) decrease cost of production for firms (1) increase profits (1) increase investment (1) increase output (1). • Decrease factor immobility (1) decrease market failure (1) easier for workers to move from one place to another in the economy (1) decrease structural unemployment (1). • Increase government spending (1) increase total demand (1) increase output (1) economic growth (1). • Increase job opportunities (1) decrease unemployment (1). Award up to 4 marks how why it might not be beneficial, which might include: • Increase total demand (1) could lead to increase demand-pull (1) inflation (1). • Cost of providing infrastructure is very high (1) opportunity cost of the government (1) cannot spend on other projects such as education and healthcare (1) which may be more beneficial than infrastructure spending (1). • Infrastructure such as big new international airports not really needed (1) domestic demand too low (1) white elephant projects (1). • Benefits foreign firms more than the local community (1).	**6**	

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Question	Answer	Marks	Guidance
2(a)	**Identify the difference between individual supply and market supply.** Individual supply is the amount that a single firm is willing and able to supply at a specific price (1) while market supply is the total of all individual supply / the amount that all the firms in the market is willing and able to supply at a specific price (1).	**2**	
2(b)	**Explain <u>two</u> influences on the mobility of labour.** Logical explanation which might include: Good transport links (1) such as public transport / highways (1) ease of workers moving from one place to another to take up a job (1). Cheap cost of living / relocation (1) such as good access to affordable homes in different places (1). Similar culture (1) such as similar languages / work culture (1). Ease of workers moving from one job to another job (1) lots of re-training opportunities (1) good quality education (1) skills/qualification needed between different jobs are similar (1).	**4**	Also accept answers based on influences for low mobility of labour.
2(c)	**Analyse the reasons for the existence of small firms** Coherent analysis which might include: Barriers to entry may be low (1) easy for firms to enter (1) e.g. low capital start-up cost / low government regulations (1). Small firms can be monopolist (1) small / niche market (1). Lots of government support for small firms (1) e.g. subsidies to SME (1) to maintain competition (1). Firms desire to remain small (1) keep it within family members (1) easy to control (1) satisfied with amount of profit (1). Difficult for firm to grow (1) as there are dominant firms in the market (1) or difficult to get enough capital to grow large (1). Economies of scale may be very small (1) low long average costs at low levels of output (1) e.g. not much bulk discount, not much expensive equipment (1). Diseconomies of scale may be achieved at low levels of output (1) due to the productive inefficiency (1).	**6**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not a reduction in the unemployment rate benefits an economy.

In assessing each answer, use the table opposite.

Why it might be beneficial:
• increase in output, increase economic growth / GDP
• increase in tax revenue
• decrease cost of unemployment benefits
• increase income for individuals
• decrease inequality
• decrease crime rates
• decrease stress level, decrease occurrence of homelessness and family breakdown
• decrease indebtedness.

Why it might not be beneficial:
• wages increasing, higher cost of production, increase cost-push inflation
• increase consumption, increased total demand, increase demand-pull inflation
• decrease competitiveness of exports
• decrease attractiveness to foreign investors.</td><td>8</td><td><table><tr><th>Level</th><th>Description</th><th>Marks</th></tr><tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr></table></td></tr>
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<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
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Question	Answer	Marks	Guidance
3(a)	**Define inflation.** Increase (1) in price level (1) over time / persistent (1) Rise in price (1)	**2**	
3(b)	**Explain the effects of low confidence on both spending and borrowing.** Logical explanation which might include: Low confidence will reduce spending (1) as consumers will save instead (1) e.g. lack of job security / risk of firms failing / asset prices falling (1). Falling confidence will reduce borrowing (1) risk of borrowing and investing is too high (1).	**4**	Maximum 2 marks for spending and maximum 2 marks for borrowing
3(c)	**Analyse how a cut in interest rates could create conflicts between macroeconomic aims.** Coherent analysis which might include: Cut in interest rates could lead to conflicts between full employment versus stable prices (1) because cut in interest rates lead to increase borrowing (1) decreased savings (1) and increased spending (1) this will lead to an increase in demand-pull (1) inflation (1). Cut in interest rates could lead to conflicts between economic growth versus balance of payments stability (1) because if people may also buy more imports (1) and therefore current account deficit will increase / current account surplus will decrease (1). Cut in interest rates could lead to conflicts between full employment versus balance of payments stability (1) because a cut in interest rates could lead to more investments (1) more firms starting up (1) increasing demand for workers (1) increased wages (1) which would lead to increase in spending (1) including imports (1) which will increase current account deficit / decrease current account surplus (1).	**6**	Maximum 4 marks if only 1 conflict analysed Also accept conflict between economic growth and redistribution of income i.e. Cut in interest rates could lead to conflicts between economic growth and redistribution of income (1) because a cut in interest rates could lead to more spending and investment (1) leading to more economic growth (1) and higher incomes for entrepreneurs (1) but savers could get lower returns from savings (1) profits may rise more than wages (1) leading to an increase in inequality (1).

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<tr><td>3(d)</td><td>Discuss whether or not a country will benefit from having a fixed foreign exchange rate system.

In assessing each answer, use the table opposite.

Why it might be an advantage
• Certainty - with a fixed exchange rate, firms will always know the exchange rate and this makes trade and investment less risky.
• Absence of speculation - with a fixed exchange rate, there will be no speculation if people believe that the rate will stay fixed with no revaluation or devaluation.
• Constraint on government policy - if the exchange rate is fixed, then the government may be unable to pursue extreme or irresponsible macro-economic policies as these would cause a run on the foreign exchange reserves and this would be unsustainable in the medium-term.
• Keep inflation low. Firms have an incentive to keep cutting costs to remain competitive. Governments who allow their exchange rate to depreciate may cause inflationary pressures to occur. Depreciation can cause inflation because total demand increases, import prices increase and firms have less incentive to cut costs.
• Maintain competitiveness - a fixed exchange rate can ensure that exports remain price competitive. A rapid appreciation in a floating exchange rate system will badly affect manufacturing firms who export; this may also cause a worsening of the current account.

Why it might be a disadvantage
• The economy may be unable to respond to shocks - a fixed exchange rate means that there may be no mechanism for the government to respond rapidly to balance of payments crises.
• Problems with reserves - fixed exchange rate systems require large foreign exchange reserves and there can be international liquidity problems as a result.</td><td>8</td><td><table><tr><th>Level</th><th>Description</th><th>Marks</th></tr><tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr></table></td></tr>
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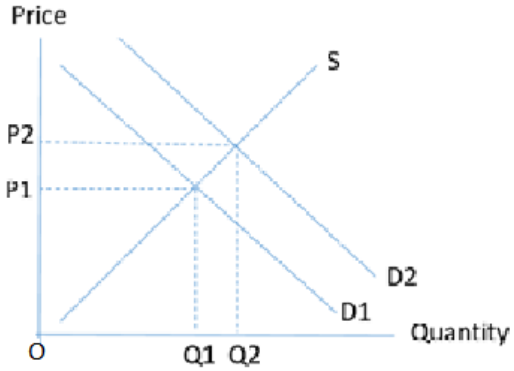
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<tr><td>3(d)</td><td>• Speculation – if foreign exchange markets believe that there may be a revaluation or devaluation, then there may be a run of speculation. Fighting this may cost the government significantly in terms of their foreign exchange reserves.
• Policy conflicts - the fixed exchange rate may not be compatible with other economic targets for growth, inflation and unemployment and this may cause conflicts of policies. This is especially true if the exchange rate is fixed at a level that is either too high or too low.</td><td></td><td>
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<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> examples of social welfare objectives of firms.** Environmental protection (1) Provide jobs to disabled / ex-convicts / minorities (1) Promoting healthy lifestyle (1) Provide basic necessities to local communities (1) Good working conditions (1)	**2**	Accept any reasonable example.
4(b)	**Explain <u>two</u> types of merger.** Horizontal (1) is when two (or more) firms at the same stages of production in the same industry merge (1). Vertical (1) is when two (or more) firms at different stages of production in the same industry merge (1). Conglomerate (1) is when two (or more) firms in different industries merge (1).	**4**	Accept forward and backward vertical integration for all 4 marks.
4(c)	**Analyse, using a demand and supply diagram, the effects on the solar energy industry of the change in spending patterns towards environmentally friendly products.** Up to 4 marks for the diagram: Axes correctly labelled – price and quantity or p and q (1) Original demand and supply curves correctly labelled (1) Demand curve shifts to the right (1) Equilibriums shown by lines or e.g. E1 and E2 (1). Up to 2 marks for written comments: Changing spending patterns towards greener products will encourage more people to demand solar energy since it is more environmentally friendly and cleaner (1) decreased demand for polluting substitutes such as coal energy (1) price and quantity of solar energy will be higher (1).	**6**	

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Discuss whether or not a merger can help a firm survive.

In assessing each answer, use the table opposite.

Why merger can help a firm survive:
• Merger may enable a firm to take greater advantage of economies of scale
• Merger will enable struggling firm to get more capital injection to enable more production / cover debts
• Merger will enable transfer of technology from other firms which could lead to increase efficiency and productivity
• Merger will increase awareness of struggling firm and could increase demand.

Why merger cannot help a firm survive:
• Mergers could lead to diseconomies of scale which will increase the average cost
• Mergers that lacks synergy will make it more difficult for the firm to operate
• Mergers may eliminate the brand name of the struggling company altogether
• Merger will close parts of the firm.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(a)	**Define *regulation*.** a set of rules or laws (1) normally imposed by government / form of government intervention (1) to affect behaviour of various economic actors in the economy (1).	**2**	Award 1 mark for any relevant examples e.g. No smoking for under 16s, not allowed to leave home, no chewing gum, prohibition of alcohol sales, compulsory face masks.
5(b)	**Explain <u>two</u> causes of a fall in the quantity of labour in a country.** Logical explanation which might include: • Negative net migration (1) emigration rates higher than immigration rates (1) as people search for better job opportunities / higher wages / higher living standards elsewhere (1). • High death rates (1) the ratio of deaths to the population (per thousand people per year) increases (1) due to poor healthcare facilities / lack of medicines / diseases (1). • Ageing population (1) average population getting older (1) lots of retirees / pensioners (1) no longer contributing to the labour force (1).	**4**	
5(c)	**Analyse how differences in the rates of corporation tax between countries may affect multinational companies (MNCs).** Coherent analysis which might include: Lower corporation tax in one country will attract more MNCs into the country (1) this is because their potential after tax profits will increase (1). Lower corporation tax will attract more MNCs to reinvest in the economy (1) this is because they will be able to get more profits and thus more capital for reinvestments (1) this could to an increase in investment in capital which leads to increased productivity (1) and increased output of MNCs (1). Lower corporation tax will enable more firms to expand their operations (1) and therefore hire more workers (1).	**6**	

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<tr><td>5(d)</td><td>Discuss whether or not a decrease in a country’s economic growth rate will harm its economy.

In assessing each answer, use the table opposite.
Why a decrease in economic growth rate will harm an economy:
• Less job creation – higher unemployment
• Reduction in consumer confidence in the economy
• Reduction in investor confidence in the economy
• Lower tax revenues – less spending on development
• Reduction in level of increase in living standards.

Why a decrease in economic growth rate will not harm an economy:
• Reduce inflation
• Less harm to the environment
• Might reduce level of imports – less deficit in the current account of the balance of payments
• Less stress – lower working hours.</td><td>8</td><td><table>
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