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CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/21**

Paper 2 Structured Questions **October/November 2025**

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 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions 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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standard isation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Uncertain what the candidate means – an illogical line of thought
	Benefit of the doubt
	Blank page
	Caret – a word is missing.
	Confused
	Cross
Highlighter	Highlight
	Nothing creditworthy
	Level 1

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Annotation	Meaning
L2	Level 2
L3	Level 3
MAX	MAX
NAQ	Not answered question
NE	Not established – a statement made without any support
REP	Repetition
SEEN	SEEN
	Tick – a credit worthy point
TV	Too vague
On-page comment	To be used when a candidate has misidentified a question they have answered e.g.: This is an answer to **Q4(c)** and not **Q5(c)**.

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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.

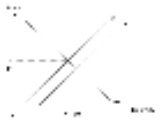
Annotation

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.**

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	Guidance
1(a)	**Calculate the total financial sector contribution (in $) to Switzerland's GDP.** $72.7 billion	**1**	Accept $73 billion or 73 billion. $72 720 000 000. 7.27×10^{10}
1(b)	**Identify <u>two</u> microeconomic policy measures.** maximum prices (1) subsidies (1)	**2**	Accept organising mergers. If more than two suggested measures are given, consider the first three.
1(c)	**Explain one reason why overdependence on foreign markets is a disadvantage to the Swiss economy.** Makes it more exposed to external shocks (1) as anything that happens in other countries could also affect the Swiss economy, for example reduced exports / increased import prices / potential shortages (1).	**2**	One mark for the reason and one mark for an explanation.
1(d)	**Draw a demand and supply diagram to show how a subsidy to solar energy producers would affect the market for solar energy.** D&S diagram: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New supply curve shifted to the right (1). Equilibriums – shown by lines P_1 and Q_1 and P_2 and Q_2 or equilibrium points marked as E_1 and E_2 (1).	**4**	

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Question	Answer	Marks	Guidance
1(e)	**Explain <u>two</u> reasons why Switzerland had a current account surplus.** Logical explanation which might include: • low inflation (1) price of Swiss exports relatively lower, leading to increased exports / price of domestically produced goods relatively lower leading to decreased imports (1) • high-quality products (1) demand for Swiss exports higher, leading to increased exports / demand for domestically produced goods higher, leading to decreased imports (1) • strong currency (1) has kept cost of imported raw materials in Switzerland low, reducing costs of production (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. If more than two reasons are given, consider the first three.

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Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between the global GDP growth rate and the change in the value of the Swiss Franc.** Coherent analysis which might include the following. Expected relationship: generally negative / inverse relationship (1) as the global growth rate falls, the value of the Swiss Franc rises / as the global growth rate rises, the value of the Swiss Franc falls (1). Supporting evidence: fall in global growth rate led to rise in the value of Swiss Franc from 2018–2019 or 2019–2020 (1), rise in global growth rate led to fall in the value of Swiss Franc from 2020–2021 (1). Analysis: Swiss Franc's status as a "safe haven" currency (1) when investors are unsure about the economy, they usually keep their money in Swiss francs (1). Exception: 2021–2022 (1) where global growth was falling but Swiss Franc was stable / rising only slightly (1). Analysis for exception: Other reasons could affect the value of Swiss Franc (1), for example Switzerland was also affected by the Covid–19 pandemic (1).	**5**	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.

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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 an increase in interest rates will harm the Swiss economy.

Award up to 4 marks for logical reasons why it might, which may include:

• cost of borrowing increases for firms (1) increasing total costs (1) reducing profits (1)
• firms may invest less (1) may have to shut down (1)
• unemployment rises (1) decreasing incomes (1)decreasing total demand (1) decreasing economic growth (1)
• consumers may borrow less (1) save more (1) less spending (1) demand for goods and services decreases (1) as returns from savings increase (1) decreasing revenues of firms (1) decreasing profits (1)
• Government borrowing costs more (1) leaving less funding available for e.g. education / health (1).

Award up to 4 marks for logical reasons why it might not, which may include:

• hot money inflows strengthen the Swiss Franc (1) reduce cost of e.g. imported raw materials (1) reducing inflation (1) increasing export competitiveness (1)
• reduced demand-pull inflationary pressures (1) as cost of borrowing increases (1) decreasing demand for loans (1) increasing saving / decreasing consumption (1) investment (1) decreasing total demand (1) firms may reduce prices (1) increasing affordability of goods and services for consumers (1).
• costs of production may decrease (1) reducing cost-push inflationary pressures (1).</td><td>6</td><td>Falling profits can only be rewarded once.

Apply this example to all questions with the command word DISCUSS (1g, 1h, 2d, 3d, 4d and 5d).

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

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

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Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not a bank merger will benefit Swiss consumers and workers.** Award up to 4 marks for logical reasons why it might, which may include: • to avoid one of them collapsing (1) reducing confidence in the whole banking system (1) greater job security (1) less chance of bank customers losing their savings (1) • economies of scale (1) as output increases (average) costs fall (1) prices may decrease (1) goods and services more affordable for consumers (1) • the merged firm may make higher profits (1) able to pay higher wages to workers who remain employed (1) • workers in merged firm can share skills (1) improving efficiency (1). Award up to 4 marks for logical reasons why it might not, which may include: • monopoly power may increase (1) restricting supply (1) decreasing consumer choice (1) increasing prices (1) decreasing quality (1) • workers may lose their jobs (1) as the bank might shut down some operations / reduce duplication (1) increasing unemployment (1) • the merged firm may be too large / experience diseconomies of scale (1) example (1) reducing efficiency (1).	**6**	Award a maximum of 4 marks if candidates only mention one of consumers or workers. Reward, but do not expect reference to inelasticity of demand in monopoly.

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Question	Answer	Marks	Guidance
2(a)	**Identify <u>two</u> examples of primary sector industries.** Two from: • farming / agriculture • mining • fishing • forestry	**2**	If more than two primary industries are given, consider the first three. Accept two specific examples, e.g. growing wheat, catching tuna, but not from the same industry.
2(b)	**Explain <u>two</u> causes of rising GDP.** Logical explanation which might include: • increased consumption (1) decrease in taxes (1) such as income tax / corporation tax (1) increased disposable income /profits (1) • increase in investment (1) leading to increase in total demand (1) • increase in government spending (1) e.g. spending on infrastructure (1) increasing total (aggregate) demand in the economy (1) • improvements in technology (1) increase in productivity (1) • increase in the quantity (1) and quality of factors of production (1) e.g. increase in size of labour force (1) improved labour skills (1) increase in productive capacity of the economy (1) • decrease in interest rates (1) cost of borrowing falls (1) borrowing increases (1) • decreases in exchange rate (1) price of exports falls / price of imports rises (1) increase exports / decrease imports / increase net exports (1).	**4**	One mark each for two causes identified and one each for two explanations. Only reward increase in total demand once.

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Question	Answer	Marks	Guidance
2(c)	**Analyse why house prices may increase.** Coherent analysis which might include the following. Increase in demand (1) due to lower interest rates (1) increasing borrowing for house purchases (1) higher population (1) higher incomes (1) increasing ability to purchase houses (1) higher confidence (1) increasing willingness to buy houses (1). Decrease in supply (1) reduction in subsidies on new house building (1) increased taxation on housing (1) government building fewer houses (1) stricter planning regulation (1) land is used for other things e.g. infrastructure (1). Increasing cost of production of new houses (1) cost of labour (1) cost of raw materials (1) cost of land (1) increased costs passed on to buyers of houses as higher prices (1). Less government intervention (1) removal of price controls (1).	6	**MAXIMUM 4 MARKS for identification of reasons without analysis in terms of demand and / or supply.**

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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 increased government spending on education will lead to economic development.

In assessing each answer, use the table opposite.

Why it might:

• increase skills / qualifications / knowledge
• increase job opportunities
• encourage more investments
• increase productive capacity
• reduce consumption of demerit goods
• improved health / life expectancy
• higher HDI</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>
<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>
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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Why it might not:

• takes a long time to have an impact on the economy
• financial cost of government spending e.g. taxation / borrowing
• opportunity cost e.g. health spending
• reduced benefit to the economy if there is emigration of skilled workers / net migration is negative
• government might spend the money inefficiently
• education programmes may be ineffective.</td><td></td><td><table><tr><th>Level</th><th>Description</th><th>Marks</th></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></td></tr>
</table>

Question	Answer	Marks	Guidance
3(a)	**Identify <u>two</u> fiscal policy measures.** • government spending (1) • taxation (1)	**2**	If more than two measures are given, consider the first three. Accept two types of spending, or two types of taxes. Allow contractionary (1) expansionary (1) measures.

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Question	Answer	Marks	Guidance
3(b)	**Explain <u>two</u> influences on productivity.** Logical explanation which might include the following. Quality of factors of production (1) better quality improves efficiency / poor quality reduces efficiency (1). Working conditions / wages (1) influencing worker motivation (1) technology (1) machine speed / effects on capital productivity (1) education (1) skilled workers / effects on labour productivity (1). Healthcare (1) healthier workers capable of producing higher output / sick workers take time off work (1). Effectiveness of institutions (1) amount of bureaucracy affects efficiency (1) use of resources (1) whether wasted or used efficiently (1).	**4**	One mark each for two influences identified and one mark each for two explanations. If more than two influences are given, consider the first three.

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Question	Answer	Marks	Guidance
3(c)	**Analyse reasons why central banks are important for an economy.** Coherent analysis which might include: • control inflation (1) by implementing monetary policy (1) such as changes in interest rates (1) prevent prices from rising too much (1) prevents deterioration of purchasing power / affordability of goods and services (1) prevent deflation (1) • maintain financial stability (1) monitoring health of banks (1) preventing collapse of banks (1) assuring savings are protected (1) ensuring consumers have access to credit (1) ensuring liquidity of the economy (1) • provision of economic information (1) which can help decision-makers (1) • buying / selling currency (1) to influence exchange rates (1) • lenders of last resort (1) providing liquidity to commercial banks (1).	**6**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not deflation is a problem for an economy.

In assessing each answer, use the table opposite.

Why it might be a problem:

• decreases confidence in the economy
• deflationary cycle
• loss of jobs
• delays in spending reduce demand
• lower profits for firms from lower prices.</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>
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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Why it might not be a problem:

• decreases prices, increasing affordability for consumers
• if it is caused by decreases in cost, problems for the economy are less significant
• increase in international competitiveness
• it depends on the extent and duration of the deflation.</td><td></td><td>
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Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> non-wage factors that may influence a worker's job choice.** Two from: • job security • fringe benefits • recognition at work • company car • holidays • working hours • flexibility / ability to work from home • location of workplace • available transport • nearness to family	**2**	**Accept any relevant non-wage factors.** If more than two non-wage factors are given, consider the first three.

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Question	Answer	Marks	Guidance
4(b)	**Explain how unemployment can lead to poverty.** Logical explanation which might include: • unemployment may lead to a loss of a source of income (1) unable to afford basic necessities (1) leading to absolute poverty (1) may reduce ability to provide a good standard of living for family (1) poor education (1) health problems (1) child poverty (1) • long term unemployment (1) loss of skills (1) cannot re-enter the job market (1) unable to earn a living (1) • the unemployed may claim unemployment benefits (1) with lower income than those working (1) leading to relative poverty (1). • unemployment will lead reduced (income) tax revenue (1) less available to spend on public services that reduce poverty (1).	**4**	

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Question	Answer	Marks	Guidance
4(c)	**Analyse the influences on the mobility of labour.** Coherent analysis which might include: • labour could be occupationally mobile (1) influenced by skills / qualification / knowledge (1) if they are transferable (1) then labour is more occupationally mobile (1) • labour could be geographically mobile (1) influenced by government regulations (1) e.g. visa requirements (1) cost of living in another area / country (1) access to transport (1) access to public transport / proximity to railway / ports (1) family ties may make workers immobile (1) access to working online / ability to work from home (1) • house prices in different areas / access to housing in different areas (1) low house prices make it easier to move for work (1) • incomes / tax systems in other countries (1) proficiency in another language (1) influencing workers to move abroad (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 low taxes are beneficial for an economy.

In assessing each answer, use the table opposite.

Why they might be:

• low income taxes increase disposable income, increasing total (aggregate) demand
• low corporate income (corporation) taxes increase profits after tax
• low indirect taxes, e.g. VAT, reduce prices of goods and services
• low taxes on imports reduce prices of imports
• low taxes on firms encourage competition
• low taxes on demerit goods increase external costs
• low income taxes prevent a ‘brain drain’ / attract foreign workers
• low corporate taxes attract overseas companies e.g. MNCs.</td><td>8</td><td>
<table>
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<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>
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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Why they might not be:

• government revenue will be low – budget deficit / debt
• not enough revenue to provide for public / merit goods e.g. education / healthcare
• higher inequality if progressive taxes are low
• higher inflation if direct taxes are low
• low taxes on merit goods improve external benefits.</td><td></td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></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>
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Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> reasons why workers may choose to work in the formal economy.** Two from: • higher incomes in the formal economy • may have access to employment protection • may be covered by a national minimum wage • may be able to join a trade union • may be entitled to receive unemployment benefit • may be entitled to retirement benefits / pensions • will have a formal income record needed for e.g. bank loans • formal economy may be regulated by government.	**2**	**Accept any relevant reason.** If more than two suggested measures are given, consider the first three.

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Question	Answer	Marks	Guidance
5(b)	**Explain <u>two</u> effects of economic growth on a country's population.** Logical explanation which might include: • more goods and services available / greater ability to purchase health care (1) higher living standards / life expectancy (1) less poverty (1) • higher employment / more job opportunities (1) more income (1) • more choice (1) due to more firms starting up / expanding (1) • lower inflation (1) if due to higher productivity / lower costs / more competition (1) • higher tax revenue (1) allows more government spending on e.g. education / health (1) • higher prices (1) due to increasing total demand (1) • more pollution / external costs (1) due to higher output of manufactured goods (1) • depletion of non-renewable resources (1) reducing future economic growth (1) • attracts immigrants / deters emigrants (1) due to benefits from high living standards e.g. job opportunities (1).	**4**	One mark each for effects identified and one mark each for explanations. If more than two effects are given, consider the first three.

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Question	Answer	Marks	Guidance
5(c)	**Analyse how government regulation can reduce market failure.** Coherent analysis which might include: market failure occurs when there is an inefficient allocation of resources in a free market (1). laws / rules can be used (1): • to promote the use of merit goods (1) that are under-consumed (1) e.g. making it compulsory to wear seat belts in a car (1) • to reduce the consumption of demerit goods (1) that are over-consumed (1) e.g. banning smoking in public places (1) • to ensure minimum standards for goods and services (1) e.g. making it compulsory for restaurants to reach certain standards of cleanliness (1) can overcome the problem of sellers having more information than buyers (1). • to prevent abuse of monopoly power (1) by imposing maximum prices (1) e.g. a limit can be imposed on the price that can be charged by a monopoly water company (1) • to reduce exploitation of labour (1) by imposing minimum wages (1).	**6**	**Only reward answers that refer to laws and regulations, not taxes and subsidies.**

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<tr><td>5(d)</td><td>Discuss whether or not an increase in the number of firms will benefit an economy.

In assessing each answer, use the table opposite.

Why it might:
• may increase competition
• higher competition may lower costs and prices and increase quality
• may increase choice
• may reduce monopoly power
• more firms may increase output
• higher output may increase employment and living standards.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall, both sided of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6-8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3-5</td></tr>
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<tr><td>5(d)</td><td>Why it might not:
• firms may be smaller
• may not be able to take advantage of economies of scale
• may be wasteful duplication
• may have lower profits and so invest less, lower innovation.</td><td></td><td>
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