UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

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for the guidance of teachers

0455 ECONOMICS

0455/22

Paper 2 (Structured Questions), maximum raw mark 80

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 must be read in conjunction with the question papers and the report on the examination.

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Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Page 2		2	Mark Scheme: Teachers' version	Syllabus 7.0 r
	0		IGCSE – October/November 2011	0455
(a)	(i)		influence on the increase in demand for cocoa: the fashion for more 'upmarket' chocolate.	Sambru
	(ii)	• • •	influences on the decrease in supply of cocoa: poor weather (dry weather) under-investment in the industry producers don't use many chemicals or pesticides they need to invest in other farming techniques pests disease.	Syllabus 0455 0455 (Minor 0455) (Minor (Minor)
(b)	•	corre the l char planat shift	: ectly labelled and drawn axes (P and Q) and curves ectly labelled and drawn shift of the demand curve left (1) nge in equilibrium price and equilibrium quantity clea tion of diagram: s of demand and supply curves (1) ler price (1)	to the right and supply curve to
	•	-	nge in quantity uncertain (1).	[6
(C)	Effe • •	wild relat thes this plan	of fluctuations in the cocoa market: fluctuations in relation to changes in demand and tion to supply the fluctuations likely to lead to volatile prices will be extremely unstable for farmers – this instability ning uncertain. Variations in prices will lead to varia standard of living of the farmers.	ty can be very unsettling, making
(d)	In fa ∙		: blish fixed (minimum or maximum) prices to support be able to maintain employment levels.	an industry
	Aga •	-	s against free market forces d mean that a government is supporting an inefficier	nt industry.
	Αo	ne-si	ded answer can gain no more than 5 marks.	[8]
(a)	Exp • •	so th there	tion: e are finite/limited resources nere is a basic situation of scarcity e are unlimited wants nere is a need to exercise choice.	[4
(b)	2 m 1 m	narks nark fo	tion of factors of production: for identifying four factors, but no explanation. or identifying three factors, but no explanation. tes should state and explain all four factors to gain fu	ull marks. [4

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Page 3	Mark Scheme: Teachers' version	Syllabus Syllabus	
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- (c) Opportunity cost:
 - it is the next best alternative that is foregone (2 marks for definition)
 - it represents cost in terms of what could have been had as an alternative to the actually chosen
- ambridge.com the idea of opportunity cost may be applied in any situation where choices are being made
 - the need for choice is due to the existence of scarce resources which have alternative uses; this is why it is an important concept for economists (2 marks for development that goes beyond a definition).

If opportunity cost is not clearly defined, but an example is used which indicates a basic understanding, give 1 mark.

Alternatively, an example might be used to aid the explanation and this could be given 1 mark.

There are no marks, however, for simply giving an example.

[4]

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(d) Possible benefits:

- a better-educated workforce is likely to be more productive
- this could lead to greater output/higher GDP
- a healthier workforce is likely to miss fewer days of work
- and so again productivity could increase.

Possible disadvantages:

- there might not be sufficient demand for workers
- there could be a high rate of unemployment
- improved health care is likely to lead to a lower death rate/higher birth rate
- this would lead to an increase in population which could put pressure on resources.

Other types of expenditure:

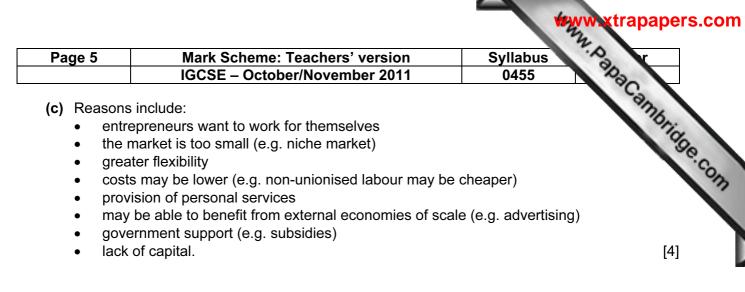
- idea of opportunity cost involved
- other types of expenditure might also have a significant impact on economy, e.g. spending on transport infrastructure or housing.

A one-sided answer can gain no more than 5 marks.

[8]

- 3 (a) (i) Private cost: the costs of production that are borne by the business which produces the product or by the consumer who purchases the product (1).
 - (ii) Private benefit: the benefits which accrue to the individual buyer or seller of a product (1).
 - (iii) External cost: the costs which occur that are paid by a third party, rather than the producer (1).
 - (iv) External benefit: the benefits which result from a firm's operations, but which give benefits to a third party (1). [4]
 - (b) Possible examples:
 - (i) Private cost: the construction cost (1).
 - (ii) Private benefit: the profit made by the private company (1).

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	(iii)	External cost:	the noise	e pollution	resulting	from the nois	se of vehi	icles o	n the mo	am	
	(iv)	External ben motorway (1).		savings	in time	from people	driving	their	vehicles	along	hidge.com
(c)	Rea • •	sons for involv they could cou would be less they would ha they would ha government fi	ntribute so of a burd we the ex we the ne	ome of th len on the pertise/e ecessary e	e finance e governr xperience equipmer	nent/taxpayer from having nt/machinery	built othe	er roac			
	A ca	ndidate can g	et full ma	rks if they	y answer	on just one of	f these.				[4]
(d)	Ben • •	efits: jobs will be cr bring in more journey times	business	•	multiplier	effect, but do	n't need	that te	rm)		
	Disa • •	dvantages: some busines noise pollutio some people	า					rway r	oute.		
		e-sided answ t award marks					hat was	in (b) .			[8]
4 (a)	Fun • • •	ctions of a trac they exist to p gain appropria job security working condi dismissal/redu possible influe	rotect the ate wage/ tions/hea undancy	/salary ind	creases; i afety	dea of collect	ive barga	aining			
	A lis	l-like approac	h can gai	n no more	e than 2 i	narks.					[4]
(b)	Rea • •	sons include: union doesn't person is self cost of annua worker doesn employees ar	employe l fee/subs 't agree w	d scription is vith views	s expens /actions o	ve of union	nditions				
	•	they are illega					10110113				[4]



(d) Possible benefits:

- internal economies of scale, e.g. risk-bearing, administrative or managerial, technical, marketing, financial, increased dimensions
- as the size of the firm increases, average long-run cost goes down
- external economies of scale, e.g. a pool of skilled labour, infrastructure, suppliers
- larger market share/control of market.

Possible disadvantages:

- diseconomies of scale, i.e. as the size of a firm increases, average long-run cost goes up
- lack of personal service.

A one-sided answer can gain no more than 5 marks.

Also, an answer which contains no explicit reference to costs of production can gain no more than 5 marks. [8]

- **5** (a) Economic growth:
 - an increase in the total output of goods and services in an economy over a period of time
 - an increase in national income
 - an increase in real Gross Domestic Product (GDP)
 - an increase in the productive capacity/potential of an economy.

Give 1 mark for a basic description and the second mark for development, e.g. reference to GDP or increase in productive capacity. [2]

(b) Possible economic aims:

- full employment
- price stability
- redistribution of income
- balance of payments stability.

Allow relevant environmental aims. Allow exchange rate.

[4]

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5	Mark Scheme: Teachers' version	Syllabus	A.
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incre reso incre rese reall	policies: ease in quantity of factors, e.g. encourage importes ease in quality of factors, e.g. improved educa earch and development ocating resources out of sunset and into sunrise in polidays to encourage firms to spend more on inve	ation/training faci	30

(c) Possible policies:

Page 6

- increase in quantity of factors, e.g. encourage immigration, discover/exploit resources
- increase in quality of factors, e.g. improved education/training facilities, encourage research and development
- reallocating resources out of sunset and into sunrise industries

- tax holidays to encourage firms to spend more on investment
- improve information about employment opportunities
- encourage geographical mobility of workers
- encourage inward investment
- monetary and/or fiscal policy (effect on the demand side).

A maximum of 3 marks for one policy only.

[6]

[8]

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- (d) Possible conflict:
 - price stability, if increase in demand is greater than increase in supply
 - redistribution of income, if most of the gains from economic growth go to the richer people in the society
 - balance of payments stability, if increase in incomes resulting from economic growth leads to a large increase in the demand for imports relative to that for exports.

Conflict less likely:

full employment, as economic growth is likely to lead to an increase in the demand for labour.

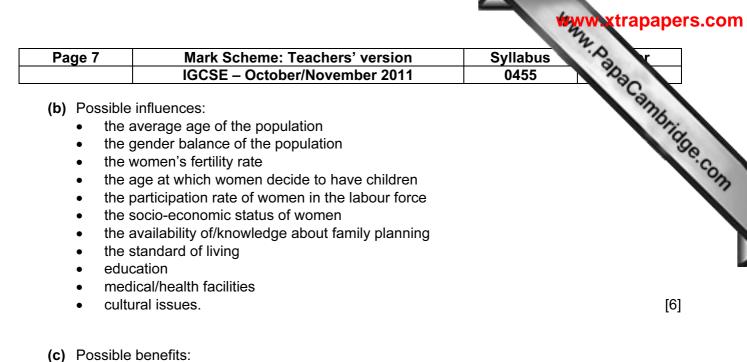
A one-sided answer can gain no more than 5 marks.

6 (a) Data include:

- real GDP per capita
- Human Development Index
- occupational distribution of labour
- birth rate/death rate
- life expectancy
- rate of population growth
- quality of infrastructure
- housing/sanitation
- proportion of exports from the primary sector
- quality of water
- literacy rate.

A list-like approach can gain no more than 3 marks.

[6]



- companies would provide jobs leading to a reduction in unemployment
- incomes would rise
- standards of living/quality of life could increase
- government revenue from taxation would increase, providing money to finance poverty reduction programmes for those not at work.

Possible problems:

- some of the jobs might not be very well paid
- there is no guarantee that the company will remain in the country for long
- some of the jobs might be reserved for workers from country of company
- much of the profit will be sent home to original country.

A one-sided answer can gain no more than 5 marks.

7 (a) Reasons for specialisation:

• the idea that countries concentrate on producing those products that their resources are best at making

[8]

- this comes about because of the different factor endowments all over the world
- specialisation will involve a better use of resources internationally
- this will lead to greater efficiency of production; this should lower the costs of production
- idea of absolute advantage (don't need to use that term) a country will produce a
 product if it can produce it using fewer resources than other countries (candidates may
 also have an idea of comparative advantage, but don't need to use that term)
- countries will tend to focus on labour-intensive production if they have an abundance of labour, e.g. China, and capital-intensive production if there is a shortage of labour, e.g. Singapore.
- (b) Possible methods of trade protection:
 - tariffs
 - quotas
 - subsidies
 - exchange controls
 - administrative restrictions
 - embargo.

1 mark for the identification of each (2 x 1) and 2 marks for the description of each (2 x 2). [6]

