

Cambridge IGCSE™

ECONOMICS**0455/23**

Paper 2 Structured Questions

October/November 2024**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 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **24** printed pages.

PUBLISHED**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.

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.

PUBLISHED**Social Science-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

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

From this it follows that we:

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

2 Presentation of mark scheme:

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

3 Calculation questions:

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

4 Annotation:

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

Subject Specific Marking Principles (point-based marking)**2 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).

5 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

6 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.

7 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.

PUBLISHED

- 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.

Common examiner annotations on 0455/2281/0987 and 2286

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

PUBLISHED

Question	Answer	Marks	Guidance
1(a)	Calculate the average cost of producing a car in Belarus in 2021. \$10 650 (1).	1	Accept 10 650 or 0.010650million or 0.1065m. Needs to be to at least 2 dp e.g. 0.011m
1(b)	Identify <u>two</u> reasons why Belarus is described as a mixed economy. - There is a public sector / some people work in the public sector / there are state-owned firms / there is government intervention e.g. fining the unemployed (1). - There is a private sector (1).	2	
1(c)	Explain the type of inflation experienced by Belarus. Cost-push (1) due to a rise in the price of energy / increase in costs of production of firms (1).	2	
1(d)	Explain <u>two</u> reasons why the production possibility curve (PPC) of Belarus may have shifted to the left between 2011 and 2021. Logical explanation which might include: - a decline in the size of the country's labour force (1) reduction in the quantity of resources / fewer workers will be likely to reduce country's ability to produce products (1) - a decrease in the number of students going to university (1) reduce quality of resources / labour skills / productivity / (1).	4	One mark each for each of two reasons identified and one mark for each of two explanations. No marks for drawing a PPC diagram.

PUBLISHED

Question	Answer	Marks	Guidance
1(e)	Analyse the relationship between life expectancy and HDI value. Coherent analysis which might include: Expected relationship: • a high life expectancy would be expected to be associated with a high HDI value (1) • positive relationship / direct relationship / move in the same direction (1). Supporting evidence: • two countries with the longest life expectancy have the highest HDI value OR two countries with the lowest life expectancy also have the lowest HDI value (1) • specific reference to a country e.g. Norway had the longest life expectancy and the highest HDI value (1). Analysis of expected relationship: • life expectancy is one of the components of HDI (1) accounts for a third of its value / explanation of how better health / life expectancy raises standard of living (1). Exception: • Belarus / Thailand (1) Belarus has a shorter life expectancy but a higher HDI value (1). Analysis of exception: • there are other components of the HDI: education / GDP (GNI) per head (1).	4	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. Note: simply repeating the data is not enough for a mark as it is only description whereas the skill being tested is analysis.

PUBLISHED

Question	Answer	Marks	Guidance
1(f)	Analyse, using a demand and supply diagram, how subsidising the production of milk would affect the market for milk. Coherent analysis which might include: 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). Written analysis: - reduction in cost of production / increase in supply / increase in quantity traded / reduction in price (1).	5	

Question	Answer	Marks	Guidance										
1(g)	Discuss whether or not the construction of electric vehicle charging stations would benefit an economy. Award up to 4 marks for logical reasons why it might benefit, which may include: - likely to encourage use of electric vehicles (1) stations and vehicles are complements (1) - improve the environment (1) reduce external costs (1) including air / noise pollution (1) reduce healthcare costs / improve health of workers (1) - building the stations / building more electric cars may create employment (1) - government / private sector investment / purchase of electric vehicles may raise total (aggregate) demand (1) causing higher output / economic growth (1). Award up to 4 marks for logical reasons why it might not benefit, which may include: - other forms of transport may have more beneficial effects on the environment (1) e.g. cycling / buses (1) - some people may be reluctant to switch (1) price of electric cars may be too high (1) resources are wasted (1) - if people do switch, it may cause unemployment (1) in e.g. oil firms / production of diesel and petrol cars / less public transport (1) - Increase in electric vehicles on road (1) causes road congestion (1) - Opportunity cost of government investment (1) monies could have been spent e.g. education /health / infrastructure (1) - If economy at full employment (1) investment may lead to demand-pull inflation (1).	6	Apply this example to all questions with the command word DISCUSS (1(g), 1(h), 2(d), 3(d), 4(d) and 5(d)) 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>	Generic example	Mark	Tax revenue may decrease...	1	...because of reason e.g. incomes may be lower.	1	Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.	0	Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.	1
Generic example	Mark												
Tax revenue may decrease...	1												
...because of reason e.g. incomes may be lower.	1												
Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.	0												
Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.	1												

PUBLISHED

Question	Answer	Marks	Guidance
1(h)	Discuss whether or not people should be fined for being unemployed. Award up to 4 marks for logical reasons why they should be fined, which may include: • if frictional unemployment (1) a fine would encourage workers to put more effort into finding a job (1) spend less time between jobs (1) help move economy towards full employment (1) higher output (1) and economic growth (1) • fines may increase government revenue (1) which could be spent on e.g. healthcare / support to find a job (1) • may not be seeking a job as receive benefits (1) fines may encourage them to find work and reduce government spending on unemployment benefits (1). Award up to 4 marks for logical reasons why they should not be fined, which may include: • may be a lack of suitable jobs available (1) the unemployed may have lacked the skills required (1) may not have been able to move to other areas of the country (1) may have disabilities / ill-health (1) providing support may reduce unemployment more quickly (1) • unemployment may be structural / cyclical (1) it would have been more effective to increase training (1) increase total demand (1) • unemployed may have little income to pay the fine (1) may increase their debt (1) lead to greater poverty / unable to pay for basic necessities (1) affect their mental health / wellbeing / causes depression (1) • may encourage the growth of the shadow/unofficial/informal economy (1) as not registered as unemployed (1) • may reduce wages (1) workers may be forced to accept low-paid jobs (1).	6	

PUBLISHED

Question	Answer	Marks	Guidance
2(a)	Identify <u>two</u> influences on the proportion of income saved by households. Two from: • rate of interest • level of (disposable) income / earnings / wealth / taxation • confidence / economic outlook • advertising / availability of saving schemes • strength of financial institutions • age of / number of dependents in household • social convention / culture • cost of living / spend on basic necessities / inflation.	2	These are the most common influences. Give credit for other relevant influences. Accept any two from the first three responses.
2(b)	Explain <u>two</u> characteristics of monopoly. Logical explanation which might include: • only firm (1) dominant market share / no effective competition / substitutes / controls the market (1) • high barriers to entry (1) difficult for new firms to enter industry (1) • price maker (1) able to set the price / demand is inelastic / only choice for consumers (1) • can control supply (1) causing higher prices / makes high profits (1) • unique product (1) result of profits reinvested in R&D (1) • large size (1) benefits from economies of scale / low average costs (1).	4	One mark each for each of two characteristics identified and one mark for each of two explanations.

PUBLISHED

Question	Answer	Marks	Guidance
2(c)	Analyse the causes of migration between countries. Coherent analysis which might include: Pull factors: - people may move to gain higher income / move to high-income countries / countries with higher wages (1) move to countries with more job opportunities / lower unemployment (1) people move to increase goods and services they can consume / higher standard of living (1) - people may move to gain better healthcare (1) to increase life expectancy / quality of life (1) - people may move to gain better education / attend university (1) to increase their children's chance of gaining employment (1) and high pay (1) - may have family members in another country (1) example of why move to be with family members (1). Push factors: - people may move to countries to escape conflict / high crime / high corruption (1) racial and religious intolerance (1) famine (1) pollution (1) climate change / better environment (1) escape poverty (1) high taxes (1) to increase safety (1).	6	Note: apply a limit of three marks for simply identifying causes with no analysis given.

Question	Answer	Marks	Guidance		
2(d)	Discuss whether or not government intervention can overcome the disadvantages of a market economic system. In assessing each answer, use the table opposite. Why it might: governments - provide merit goods which may be under-consumed - restrict demerit goods which may be over-consumed - provide public goods which would not be supplied by the private sector - may provide products or benefits for those with low purchasing power - may regulate monopolies / prevent mergers - may address external costs such as pollution - set price ceiling to keep prices low - set minimum wages to reduce exploitation of workers. Why it might not - may be government failure - government may lack accurate information - may take time to make decisions / bureaucratic - may reduce incentives - may be corruption.	8	Level	Description	Marks
			3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.	6–8
			2	A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0

PUBLISHED

Question	Answer	Marks	Guidance
3(a)	Identify <u>two</u> decision-makers involved in economics. Two from: • households / consumers • workers / trade unions • firms / producers / entrepreneurs / suppliers • the government • banks	2	Accept any two from first three responses made. Accept buyers and sellers.
3(b)	Explain the relationship between: (i) demand for tennis racquets and demand for badminton racquets • Substitutes (1) an inverse / indirect/ negative relationship / competitive goods (1) rise in the price of one would cause the demand for the other to increase / people switch between the two (1). (ii) demand for tennis racquets and demand for tennis balls. • Complements (1) a direct / positive relationship (1) bought to be used together / rise in the price of one would cause the demand for the other to decrease (1).	4	One mark each for each of two relationships identified and one mark for each of two explanations.

PUBLISHED

Question	Answer	Marks	Guidance
3(c)	Analyse why most cleaners earn a low wage. Coherent analysis which might include: • high supply / most people can do it / easily replaced (1) elastic supply (1) have low occupational mobility (1) firms do not have to pay high wages to attract sufficient number of cleaners (1) • low qualifications / education (1) low skills / training required (1) may have low productivity / add little value to the business (1) low risk for workers (1) • may not belong to a trade union (1) low bargaining power (1) hard to move to another job (1) so willing to accept low pay (1) rather than not have a job (1) • may be from groups that are discriminated against (1) e.g. women / older persons / immigrants (1) • some work part-time (1) so take-home pay may be low (1) • might be replaced by cleaning machines / robots (1) if wages rise too high (1).	6	Note: low demand is not acceptable as an answer unless it is in the context of comparison to higher supply.

Question	Answer	Marks	Guidance		
3(d)	Discuss whether or not a government should tax sports equipment. In assessing each answer, use the table opposite. Why it should tax sports equipment: - an additional source of tax revenue - other goods and services/ forms of leisure equipment are taxed - not a necessity - the rich may spend more on sports equipment. - elite / professional sports persons are well paid / receive sponsorship so can afford increased prices. Why it should not tax sports equipment: - increase in prices may discourage people from playing sport especially those on low incomes - sport may be considered to be a merit good - may reduce health and fitness of people - may reduce output of sports equipment and increase unemployment - many people employed in sport and leisure industries.	8	Level	Description	Marks
			3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.	6–8
			2	A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0

PUBLISHED

Question	Answer	Marks	Guidance
4(a)	Define supply The willingness (1) and ability to sell/provide a good/service (1).	2	Accept an incomplete answer for one mark e.g. amount of a good/service produced by a firm / available in the market (1).
4(b)	Explain the difference between the private sector and the public sector. Logical explanation which might include: - private sector is operated and owned by individuals / firms (1) and decisions are made based on self-interest / profits / own utility / efficiency (1) - public sector is operated and owned by the government (1) and decisions are made based on the overall welfare of society / people / externalities (1).	4	Alternatively candidates may present as Motive: profit v social welfare Ownership: individuals / firms v government

PUBLISHED

Question	Answer	Marks	Guidance
4(c)	Analyse the causes of differences in economic development between countries. Coherent analysis which might include differences in: - level of income (1) affecting levels of affordability (1) and consumption of various goods and services (1) - education (1) affecting skills / productivity (1) job opportunities (1) purchasing power (1) - healthcare (1) affecting life expectancy (1) level of labour absences from work (1) output (1) - levels of population growth (1) affecting size of workforce (1) affecting dependency ratios (1) which could also affect cost of labour (1) - size of primary, secondary and tertiary sectors (1) large size primary sector usually leads to lower levels of development than the other two sectors (1) lower value added in primary / higher value added in secondary and tertiary (1) - government expenditure / overseas investment (FDI) (1) e.g. in infrastructure projects / education/healthcare (1) raising job opportunities / reducing poverty (1) - availability / development of resources / factors of production (1) e.g. beautiful landscape / labour (1) impact on economic development (1).	6	Do not reward economic growth as being the same as economic development

Question	Answer	Marks	Guidance		
4(d)	Discuss whether or not the employment of migrant workers can benefit an economy In assessing each answer, use the table opposite. Why it might benefit: migrant labour • increases supply of labour –reduce wage cost • increases the quantity of factors of production in the economy • increase productive capacity of the economy and economic growth • more skilled • more productive • takes up jobs that locals don't want to take up • income received may create new jobs. Why it might not benefit: migrant labour • Increases unemployment – takes jobs from local workers • usually willing to take jobs at lower pay than local labour lowering wage rates for all workers • means economy may not have capacity to accommodate them leading to lack of housing and other infrastructure.		Level	Description	Marks
			3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.	6–8
			2	A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0

PUBLISHED

Question	Answer	Marks	Guidance
5(a)	Define a <i>central bank</i>. • A government owned bank (1). • Operates monetary policy / sets interest rates /manages foreign exchange rates(1). • Provides banking services to the government / commercial banks (1).	2	
5(b)	Explain <u>two</u> ways a commercial bank could attract more customers. Logical explanation which might include: • lower interest rate on loans (1) attracts new customers for loans (1) • higher interest rates on savings (1) attracts more customers to save (1) • make loan conditions easier (1) e.g. lend to people with lower incomes / give longer to repay (1) • improve / increase range of services (1) e.g. offer insurance / bank cards with added benefits (1) • increase accessibility (1) e.g. by opening more branches or increasing range of internet banking (1) • advertising (1) may increase brand awareness (1).	4	One mark each for each of two reasons identified and one mark for each of two explanations.

PUBLISHED

Question	Answer	Marks	Guidance
5(c)	Analyse the possible causes of a fall in a country's foreign exchange rate. Coherent analysis which might include: • a central bank / government may reduce a fixed exchange rate (1) leading to devaluation of a currency (1) in order to correct a balance of payments deficit (1) • a central bank/government may try to reduce a floating exchange rate (1) by decreasing the interest rate (1) or selling the domestic currency (1) • increase in the supply of the currency (1) due to increase in imports (1) increased investment in other countries / higher interest rates abroad (1) expectation that the exchange rate will fall (1) • reduction in demand for the currency (1) due to a decrease in exports (1) fall in the rate of interest (1) decrease in money sent home by country's people working in other countries (1).	6	

Question	Answer	Marks	Guidance		
5(d)	Discuss whether or not a cut in the interest rate will reduce inflation. In assessing each answer, use the table opposite. Why it will reduce inflation: • may reduce firms' costs of production • may increase investment • may result in total (aggregate) supply increasing more rapidly than total (aggregate) demand • reduce cost-push inflation • increased imports lowering total (aggregate) demand • reduce demand-pull inflation. Why it will not reduce inflation: • may increase consumer spending • reduced return from saving / less saving • reduced cost of borrowing / more borrowing • increase total (aggregate) demand • increase demand-pull inflation.	8	Level	Description	Marks
			3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.	6–8
			2	A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.	3–5
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.	1–2
			0	A mark of zero should be awarded for no creditable content.	0