

Example Candidate Responses – Paper 2

Cambridge IGCSE™ / IGCSE (9–1)

Economics 0455 / 0987

Cambridge O Level

Economics 2281

For examination from 2023



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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge IGCSE / IGCSE (9–1) / O Level Economics, and to show how different levels of candidates' performance (high, middle and low) relate to the syllabus requirements. This document helps teachers to assess the standards required to achieve marks beyond the guidance of the mark scheme.

In this booklet candidate responses have been chosen from the November 2023 exam series to exemplify a range of answers.

For each question, the response is annotated with examiner comments about where and why marks were awarded or omitted. This is followed by comments on how the answer could be improved. There is also a list of common mistakes and guidance for candidates for each question.

Please refer to the November 2023 Examiner Report for further details and guidance.

The questions and mark schemes are available on the [School Support Hub](#)

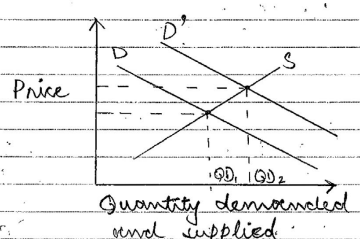
0455 November 2023 Question Paper 22

0455 November 2023 Mark Scheme 22

Past exam resources and other teaching and learning resources are available on the [School Support Hub](#)

Example Candidate Response – high, continued

Examiner comments

(e)  5	A report stating that bananas are good for health would increase the demand on bananas so the demand curve will shift to the right from D to D'. (f) Generally, there is an inverse relation where as percentage of population increases, the life expectancy decreases. Kenya has the third largest percentage of population living in poverty and so has a low life expectancy of 86. (third lowest). Whereas Sweden has the lowest percentage of population living in poverty. Therefore, has the highest life expectancy of 83. However, there is an exception where South Sudan has the higher percentage of population living in poverty (the highest) than Chad by 6.6% yet South Sudan has a higher life expectancy than Chad by 4 years (South Sudan 58 and Chad 54). 6
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5 The candidate provides a clear diagram.

Mark for (e) = 3 out of 4

6 This is a good and clear approach, that states the expected relationship, gives supporting evidence for the expected relationship, recognises an exception, and explains why it is an exception.

Mark for (f) = 5 out of 5

Example Candidate Response – high, continued

Examiner comments

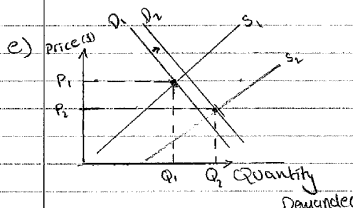
(g) More firms are using capital goods. Capital goods produce standardised products and make less mistakes. Thus, they save time and are more efficient and productive so costs of production decreases. There is also an increase in training for workers in the clothing industry which will help workers develop and improve to become more skillful and productive. Improvement in working conditions will also motivate the workers to become more productive and increase their output. All of this lowers the cost of production. On the other hand, it is uncertain as to what the prices of raw materials needed such as cotton and wool are going to be. An increase in their prices will lead to increase in costs of production. 7	7 The candidate gives a good response on why the cost of producing clothes in Honduras is likely to fall. Several relevant points are explained, making good use of economic theory.
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Mark for (g) = 5 out of 6

Example Candidate Response – high, continued	Examiner comments
(h) A fall in unemployment means more people are have jobs and receive income. So more people will spend and buy products. Consumer spending will increase and therefore aggregate demand will increase leading to demand-pull inflation. A decrease in unemployment ^{could} mean more job opportunities are available meaning firms are expanding and investing which also increases spending and aggregate demand. A reduction in unemployment but a reduces means firms have to pay more wages which increases cost of production and decrease in aggregate supply leading to cost-push inflation. On the other hand, Honduras implements progressive tax so if people receive income, a tax is paid so disposable income might just be enough to cover basic needs. A decrease in unemployment doesn't mean a rise in employment as some people might choose to emigrate or leave the work force completely. ⁸	⁸ The candidate provides a strong answer that is balanced on both sides of the argument. Mark for (h) = 6 out of 6 Total mark awarded = 27 out of 30

How the candidate could improve their answer

- (c) The candidate's response does not identify an advantage from the source material. It is important that candidates follow the instruction at the start of Question 1: 'Refer to the source material in your answers.' The candidate was fortunate that the explanation given could be linked to 'gaining skills'. The question required candidates to draw on the source material as the basis for their answers.
- (e) The question only required candidates to draw a demand and supply curve, showing the effect of an increase in demand on the market for bananas. The candidate did not have to explain what the diagram shows. The candidate needed to draw the equilibrium lines to not only Q and Q1 but also to P and P1.
- (g) The candidate's explanation of why the cost of producing clothes might rise in the future is limited. A higher price of raw materials is identified but not analysed.

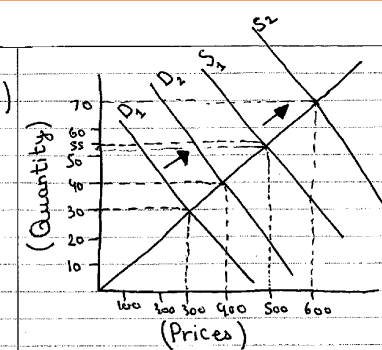
Example Candidate Response – middle	Examiner comments
a) $\frac{0.83}{10} \times 100 = 8.3\%$ ¹ b) Honduras will be exporting at a higher rate so more tax revenues. The Hondurens who send money in from the US will make more money flow into the country thus increasing economic growth. ² c) The country can put its money and effort into that particular market there will be no opportunity cost also the workers will be high skilled as training on a high scale will be provided. ³ d) By charging those who earn more a greater percentage of taxes, this allows people to have more real and disposable income. By paying minimum wage for low earning workers. ⁴ e)  A report stating that bananas are good for health would cause the demand for them to increase, as demand increases price decreases. As price decreases demand increases thus an outward shift for the demand curve ^{along} from D1 to D2. ⁵	¹ The candidate provides an accurate calculation. Mark for (a) = 1 out of 1 ² The candidate identifies two relevant reasons. Mark for (b) = 2 out of 2 ³ The candidate recognises workers will be 'high skilled'. Mark for (c) = 1 out of 2 ⁴ The candidate makes the point of 'charging those who earn more a greater percentage of taxes'. The comment that this will increase disposable income is confused. Paying minimum wages is not in the source material. Mark for (d) = 1 out of 4 ⁵ The candidate correctly labels the axes and the curves and the demand curve is shifted to the right. Mark for (e) = 3 out of 4

Example Candidate Response – middle, continued	Examiner comments
f) He can see that as the percentage of population living in poverty decreases, the life expectancy increases, they have a negative relationship because when less of the percentage is in poverty the living standard of the country increases, more educated people, better infrastructure & and health care. Life expectancy also increases because there will higher rate of skilled labour like doctors so better treatment and more options. ⁶	⁶ The candidate shows an understanding of the nature and causes of the relationship. Mark for (f) = 4 out of 5
g) Cost of production might increase because demand will be higher so more supply is needed in addition to having to buy to new materials and hiring more labour to try and meet peoples changing tastes. However ⁷ markets like clothes production get to benefit from economies of scale which would reduce the cost of production in addition to that many ⁸ people are joining the industry thus there will be huge numbers of labour and skilled workers which will increase the productivity. ⁹	⁷ The candidate identifies economies of scale as an influence. ⁸ The candidate identifies skilled workers. ⁹ The candidate's response begins well but it is one-sided. Mark for (g) = 3 out of 6
h) A fall in unemployment means more of the ¹⁰ population is working and earning income, there will be an increased rate of consumer spending which will cause a raise in prices and increased demand. However as the prices of products ¹¹ the government tends to increase income and salaries which means that people are still able to buy the products after the increase in price. A fall in unemployment doesn't only mean raise in prices, better exchange rate, improved standard of living and higher life expectancy. A more successful economy is likely to encourage more investment. ¹²	¹⁰ The candidate makes a link to higher income. ¹¹ The candidate links to higher consumer spending. ¹² The candidate provides a good link between a fall in unemployment and total demand. These links could have been developed into the effect the higher total demand may have on demand-pull inflation. The candidate recognises that a fall in unemployment may encourage investment but does not go on to explain why this may reduce inflationary noise.
	Mark for (h) = 4 out of 6 Total mark awarded = 19 out of 30

How the candidate could improve their answer

- (c) The candidate recognised that highly skilled workers would be an advantage but needed to explain why this would be an advantage.
- (d) The candidate could have made better use of the source material.
- (e) The candidate incorrectly shifts the supply curve to the right. There was no need to explain the diagram. The candidate needed to review their work as they might have then realised that the diagram was incomplete.
- (f) The candidate needed to provide evidence from the table in the source material to support the analysis.
- (g) The candidate needed to provide another side of the argument and respond in more depth.
- (h) The candidate needed to respond in more depth by explaining the links in detail.

Example Candidate Response – low	Examiner comments
(a) 0.83% 1 ←————→ (b) 1) 40% imports come from US 2) Many hondurans work there and send money back there which can increase living standards. 2 ←————→ (c) An economy specialising can make the economy can be better by workers focused on one work means they will be best at it which can increase the GDP and even exports of a specific product for an economy. Good reputation 3 ←————→ (d) There are many ways an economy could redistribute income. The economy 1) by income of tax on goods 2) by collecting the money by tax on income 4 ←————→	1 The candidate states the incorrect value. Mark for (a) = 0 out of 1 2 The candidate does not make a direct link between 40% of imports coming from the US and Honduras gaining from the growth in the US economy. Mark for (b) = 1 out of 2 3 The candidate recognises good reputation and works back to the idea of practice makes perfect. Mark for (c) = 2 out of 2 4 The candidate does not draw on the source material and does not directly answer the question. Mark for (d) = 0 out of 4

Example Candidate Response – low, continued	Examiner comments
(e)  The demand shift to the right means there is an increase in demand for the bananas because of the report that bananas are good for health as demand increased supply also increased for the bananas means shift to the right on diagram. 5 ←————→ (f) The population living in poverty and the life expectancy are seem to be different but they a relationship. For an economy decline of birth rate or death rate can be difficult to cop with and then there are people living in poverty in are economy. An The rate of population living in poverty in Honduras is 16.9 and life expectancy is 75 means that 16.9 have high chances of dying without any medical care as they are poor so, there can be an decrease in the population because of high rate of poverty.	5 The candidate's mark for the shift of the demand curve to the right is confused with a shift to the right in the supply curve along the same line. The axes are confused. The explanation was not needed. Mark for (e) = 0 out of 4

Example Candidate Response – low, continued	Examiner comments
These two things are very important the Honduras is trying to lower the population in poverty to increase life expectancy. 6 (g) As the Honduras is going towards the clothing market, it is training more workers for it and more capital goods is being used and it will be used by the people more there because its a new thing / product in market which means more sales more revenue but time by time if they buying cotton, wood and other materials it can become expensive for them because if they import these the tariffs can increase. And other thing the workers are being trained and skilled which means they will ask for a better salary (more salary) which can increase the cost of production. As the clothing industry expand they will need more space for it means more occupied places more rents, more electricity being used which can increase the cost of production. Hence, the cost of production will not fall in the future. 7	6 The candidate's first paragraph is vague. The second paragraph does not provide a clear link between the birth rate, death rate and poverty. The candidate does recognise a link between medical care, poverty, and life expectancy. Mark for (f) = 1 out of 5 7 The candidate makes some good use of the source material to identify a number of relevant points and links training and skills with higher pay. Mark for (g) = 4 out of 6

Example Candidate Response – low, continued	Examiner comments
(h) When there is fall in unemployment the country GDP can fall too because when there are no workers working there will be less output which can lead to deflation and fall in unemployment and Honduras is giving unemployment benefits which means making people work so more GDP. Hence, No, fall in unemployment cannot cause inflation. 8	8 The candidate interprets a fall in unemployment as a fall in employment. There also appears to be the suggestion that unemployment benefits make 'people work'. Mark for (h) = 0 out of 6 Total mark awarded = 8 out of 30

How the candidate could improve their answer

- The candidate needed to read the questions and the source material more carefully.

Common mistakes and guidance for candidates

- (a) It is important that candidates get the right denomination figure. Some candidates gave 0.83 and some gave 83 %. A small number of candidates ignored 'percentage' in the question and gave 83m as their answer.
- (b) Candidates needed to identify points from the source material. The command word 'Identify' does not require candidates to explain the points. Candidates may choose to give their answers in bullet forms.
- (c) Some candidates identified two advantages without any explanation. A number of candidates did not explain an advantage from the source material. A small proportion of candidates identified a relevant advantage from the source material but did not explain it.
- (d) Candidates needed to take the advantages from the source material and each one needed explaining. Some candidates did not give an adequate explanation of how progressive taxation works. They wrote that a progressive income tax system takes more of the income of the rich than those on a low income. This is also true of a proportional and regressive income tax system. The defining characteristic of a progressive income tax system is that it takes a higher proportion of the income of the rich.
- (e) Many candidates provided a written explanation of their diagram. The command word 'show' does not require them to do so. If a written examination of a diagram is required, it would start with: 'Analyse, using a demand and supply diagram ...' Diagrams needed to be clearly drawn, well labelled and show the relevant change / changes. Some candidates drew lines from the equilibrium points to the price and quantity axes but did not identify the original and new quantities on the axes.
- (f) When analysing the relationship between two economic variables candidates needed to explain the expected relationship, provide supporting evidence of the relationship from the source material, identify any exceptions and explain them. Some candidates ignored the data given in the source material. Others described the data without explaining it. For example, stating that Sweden had 0.2 % of its population living in poverty and a life expectancy of 83 is just stating what the figures are. An interpretation would be that Sweden had the lowest proportion of the population living in poverty and the longest life expectancy.
- (g) Candidates needed to provide two-sided answers with depth on both sides of the argument. There was information in the source material that could be developed and they could have included other relevant points. Candidates should avoid writing points that are contradicted by the source material. For example, it is not appropriate to write that the clothes industry is using fewer capital goods.
- (h) Stronger candidate answers to part (g) and part (h) developed links on both sides. Some candidates produced strong links between lower unemployment, higher income, higher consumer spending, total demand and demand-pull inflation. The examination of the other side tended not to be so strong. In some cases, this was because candidates stated points without explaining them.

Question 2

Example Candidate Response – high	Examiner comments
a. A capital good is a manufactured and produced good that is not directly consumed, but used for the production of another good or service. For example, a cotton candy machine is a capital good. ¹	¹ The candidate clearly defines what a capital good is and gives a relevant example.
b. A low inflation rate may increase the demand of goods and services in an economy. This would cause producers to increase supply of the same, which increases output and economic growth. A low inflation rate rate also decreases makes the factors of production more affordable. This allow producers to increase production as they have enough money to invest in on increasing production. As a result, output and economic growth increases. ²	Mark for (a) = 2 out of 2
c. A government could reduce protectionism by decreasing the import tariffs. This decreases the cost of importing and encourages consumers to spend more on imports. As a result, spending on imports increases, protectionism is reduced. The import quota could also be increased to ease need restrictions and allow consumers to import a higher quantity of imports. This increases demand for and spending on the imports. Removal of Removal embargo also has the same effect, which results in increased spending on imports due to eased restrictions. ³	² The candidate recognises that low inflation may encourage higher demand and higher investment but does not explain why. Mark for (b) = 2 out of 4
d. The effect of an increase in diamond mining on a country is listed below. An increase in diamond mining is likely to increase the production of refining and all production of diamond products. This increases the output and tax revenue ⁴ and results in economic growth. As a result, exports also increase. An increase in exports due to a rise in the demand for would increase export revenue, and help correct	³ The candidate demonstrates a good understanding of how a reduction in protectionism, in the form of reduced tariffs, import quotas and embargoes would affect the cost and quantity of imports. Mark for (c) = 5 out of 6 ⁴ The candidate's response is good on the benefits that may be gained from diamond mining.

Example Candidate Response – high, continued	Examiner comments
a trade deficit on the balance of payments. Increased jobs created in the primary sector ⁵ (diamond mining), secondary sector (manufacturing of diamond products) and tertiary sector (selling the products) would decrease unemployment due to the creation of jobs. Exporting of these diamond products would also earn the country a better reputation in exporting diamond products. This would result in global recognition in the industry. An increase in economic growth and unemployment would also increase living standards. However, workers in the diamond mining ⁶ mining industries are likely to be ex exposed to harsh working conditions. This would decrease the quality of their health and cause the government to spend more on healthcare provision. In order to maximise profits, firms may exploit labourers by paying them lower wages and decreasing their working conditions. As a result, their standards of living decreases. Furthermore, an increase in the creation of jobs would increase consumer spending, aggregate demand and result in inflation. Increased diamond mining could also deplete resources faster. To conclude, a country might not benefit from diamond mining.	⁵ The candidate clearly links diamond mining to the government macroeconomic objectives of economic growth, an improved performance on the current account of the balance of payments and low unemployment. ⁶ The candidate clearly states the other side of the argument in terms of why there may be poor working conditions and inflation. Mark for (d) = 7 out of 8 Total mark awarded = 16 out of 20

How the candidate could improve their answer

- (b) The candidate needed to explain the reasons identified in detail. Writing that it 'makes the factors of production more affordable' is not a strong enough argument for keeping costs low.
- (c) The candidate needed to make a stronger link to competitiveness.
- (d) The candidate's reference to the depletion of resources is relevant but needs to be developed further.

Example Candidate Response – middle	Examiner comments
(a) A capital good is a human made good that is used in the production of other goods and services e.g. machinery. 1	1 The candidate provides a relevant definition and example. Mark for (a) = 2 out of 2
(b) With a low inflation rate consumers have a higher disposable income to spend. Output (GDP) increases resulting in an economic growth increase. 2 Low inflation rates enable firms and industries to produce at lower costs. Fixed costs fall while output and supply increase. This increases economic growth in the country. 3	2 The candidate's first paragraph is incorrect as low inflation does not increase disposable income. 3 The candidate's second paragraph confuses lower costs and keeping costs low. The costs would be lower than without inflation but this should be explained. Mark for (b) = 1 out of 4
(c) A government could reduce its taxes of imports (tariffs). This could reduce cost of exports for the country it is importing from. The other country could also reduce some of its tariffs in return. Gradually all regulation loosen and protectionism falls leading to free international trade between countries. A country could also lower its export prices and attract a lot more consumers. Relations between the countries improve and globalisation results from it. Free international trade could arise from the good relations made. 4	4 The candidate provides a reasonable answer recognising that other countries may remove their protectionism. Mark for (c) = 4 out of 6
(d) A country will benefit from mining diamonds because it could be dematerialised on the international market. It could be exported and gain a lot more revenue. If a country mines diamonds then it could result in a diverse products being sold by the country. It could gain the advantage of multiple income sources and reduce the risk of over-specialization if it was specialising. The revenue gained from the exports could be used as government spending. The country's economy would	5 The candidate provides a relevant statement that export revenue would increase. 6 The candidate provides a relevant statement about the avoidance of overspecialisation.

Example Candidate Response – middle, continued	Examiner comments
become more developed. However mining diamonds could be a problem. Mining diamonds would mean social and external costs are to increase e.g. pollution and deforestation. Mining of diamonds in conclusion by a country could build a lot of employment jobs are created and living standards are improved. Unemployment falls and government spending on things like unemployment benefits fall and the government's revenue rises. Economic growth rises. 7	7 The candidate provides some explanation on both sides of the argument, linked to higher export revenue, the avoidance of overspecialisation and lower unemployment on one side and externalities on the other side. Mark for (d) = 4 out of 8 Total mark awarded = 11 out of 20

How the candidate could improve their answer

- **(b)** The candidate needed to demonstrate a stronger understanding of the consequences of inflation.
- **(c)** Other forms of protectionism may have been considered apart from tariffs. Towards the end, the response becomes rather vague.
- **(d)** More depth of analysis on both sides of the argument was needed. For example, the link between exports and government revenue needed to be established and explained.

Example Candidate Response – low	Examiner comments
a. A capital good is a human produced good, which aids the production of other goods. Examples of capital goods are mining machine, harvester, etc.	
a. A capital good is a human produced good, which aids in the production of other goods. An example of capital good is mining machine. 1	1 The candidate provides a good definition with a relevant example. Mark for (a) = 2 out of 2
b (i) When there is a low inflation rate, meaning the money in circulation is not much, consumers will be willing to borrow ^{more} money (from the bank) in order to spend to buy more goods and services, thus increasing a country's economic growth rate.	
b (ii) When there is a low inflation rate, the price for goods and services will be cheap, thus encouraging consumers to buy more of goods and services, and in turn increasing a country's economic growth rate. 2	2 Overall, the candidate's response demonstrates some idea that demand may rise. Mark for (b) = 1 out of 4
c (i) A government can reduce protectionism by allowing consumers to buy and producers to sell whatever they want and wish without imposing heavy tax rates on the goods and services.	
c (ii) A government can reduce protectionism by reducing the taxes imposed on (some) foreign goods and services, thus allowing consumers the freedom of choice.	
c (iii) A government can move toward free international trade by increasing the tax imposed on locally made goods. 3	3 The candidate's response demonstrates the idea that the tax on foreign goods may be reduced. However, the answer then moves towards free trade by writing 'increasing the tax imposed on locally made goods.'
d (i) A country will benefit from diamond mining if the demand on (already made) diamonds is high, and a country will not benefit from diamond mining if the demand on (already made) diamond is low. 4	Mark for (c) = 1 out of 6 4 The candidate makes a relevant statement but this is not explained.
d (ii) A country will benefit from diamond mining if there are no substitutes in the diamond mining industry, thus giving consumers no freedom of choice. By contrast, a country will not benefit from diamond mining if there are many substitutes in the diamond mining industry, so an increment in price will make consumers seek the service of another diamond miner. 5	5 A further relevant statement but this needs to be linked, for example to export revenue.
d (iii) A country will benefit from diamond mining if the country is rich in mineral resources like diamond diamond, but a country will not benefit from diamond mining if the country is not rich in mineral resources like diamond. 6	6 The candidate provides relevant statements on both sides of the argument. Mark for (d) = 2 out of 8
Total mark awarded = 6 out of 20	

How the candidate could improve their answer

- (b) The candidate's first point is not established. The points needed to be explained more fully.
- (c) The candidate needed to be clearer in writing their response and read the question carefully.
- (d) The candidate needed to link the statements and explain in more detail.

Common mistakes and guidance

- (a) Candidates' definitions needed to be precise. Some candidates gave rather vague definitions.
- (b) Some candidates correctly identified that a low inflation rate may increase international competitiveness but then stated that this would increase a country's economic growth rate. Candidates needed to explain why greater international competitiveness may increase a country's economic growth rate.
- (c) When answering an 'Analyse' question, strong links needed to be provided. Some candidates identified which methods of protectionism could be reduced but did not adequately analyse how their reduction could result in a movement towards free trade.
- (d) It is important that points are not just stated; they need to be developed on both sides, using appropriate economic analysis. For example, stating that diamond mining will be beneficial if it increases tax revenue is a Level 1 response. Candidates needed to explain why tax revenue might increase and why higher tax revenue may be beneficial to be awarded more marks.

Question 3

Example Candidate Response – high	Examiner comments
a) A fixed cost cost is a cost that is always present in towards a firm and always constant meaning it doesn't change in value or price no matter the level of output and an example is rent. ①	① The candidate provides a good definition based on a cost that does not change with the level of output. A relevant example is given.
b) 2 types of unemployment are frictional unemployment which occurs when workers are moving between jobs and working for a new one as it takes time for the labor market to allocate jobs. Another one is cyclical unemployment which occurs due to lack of demand. ②	Mark for (a) = 2 out of 2 ② The candidate might have mentioned the fall in total demand but the reference to recession gets the mark.
c) Supply side policy measures could reduce unemployment by increasing education and training. This helps workers attain more knowledge and become better skilled, making them attractive to firms and increasing their derived demand. This also helps to increase their occupational mobility meaning they can find jobs much easier and reduce structural unemployment. A decrease in direct taxes could incentivize workers to look for a job because they will be able to keep more of their income and spend it to support lifestyle of increasing living standards. Lowering labor market reforms and legislation could help improve employment as it will be easier for firms to employ without worrying about regulations and more people can find work. Finally, low reducing strength of trade unions as they can bargain for higher wages and cause unemployment, so by reducing their strength, firms can employ greater number of workers. ④	③ A relatively brief response but good explanations are given of frictional unemployment and cyclical unemployment. Mark for (b) = 4 out of 4 ④ The candidate gives two relevant supply-side policy measures.
	⑤ The candidate provides strong links between education and training and a reduction in structural unemployment. A range of other supply-side policy measures are covered. Mark for (c) = 6 out of 6

Example Candidate Response – high, continued	Examiner comments
d) Having fewer firms in a market will not benefit consumers because there will be less variety of and choice of good and services, perhaps due to high barriers to enter the market. The firms could agree to reduce supply and increase price of good or service which is harmful to consumers as they'll have less purchasing power and reduced incomes, especially if the good is inelastic due to having no substitutes or being a necessity. Due to the low amount of firms there will be reduced competition which can lower the incentives to be innovative and cause lower quality products to be sold. But the benefits to fewer firms in a market is that it will eliminate wasteful competition. The firms could also experience economies of scale and offer lower prices to consumers which can increase standard of living. There will also be greater efficiency to customer needs. ⑥	⑥ A strong response stating how consumers may be disadvantaged by a small number of firms restricting supply and lower innovation and variety resulting from a lack of competition. Mark for (d) = 7 out of 8 Total mark awarded = 19 out of 20

How the candidate could improve their answer

- (d) The candidate's points on the other side of the argument: avoidance of wasteful duplication and greater economies of scale, are relevant but needed to be developed further.

Example Candidate Response – middle	Examiner comments
(a) Fixed cost these are expenses that are fixed and can not be changed for example rent, salary and running cost for the company. ① (b) Seasonal unemployment: for example people who work for companies that employ seasonal workers for a certain period, Tobacco companies only employ as during the tobacco season. Frictional unemployment where a person is temporarily unemployed while looking for another job when they leave their current employment. ② (c) Yes supply-side will reduce unemployment because through government financing firms or rather supporting firms this create jobs and start up of new business will create competition and less monopolies dominating the market. But with the number of some markets failing again due to output rise. New ideas are used or are required in the market innovation this create employment. ③ (d) Yes, consumers will know where to get their products without having to move from one place to another, less time consuming and quicker like shopping. Easy to do comparison of price. However a fewer firms this cause monopoly where by one firm may force other business to go out of business, which will create or cause prices to go up and everything will be expensive but the consumers will buy anyways since it will be the only firm selling that product. Less choices to choose from. So I think having more firms operating is good so consumers have choices to choose from. ④	① The example 'rent' is relevant. Mark for (a) = 1 out of 2 ② The candidate identifies and explains seasonal unemployment. There is some explanation of frictional unemployment but this is not identified as such. Mark for (b) = 3 out of 4 ③ The candidate gives some idea that a subsidy can create jobs. However, this needs to be analysed along with other supply-side policy measures. Mark for (c) = 2 out of 6 ④ The candidate provides some limited explanation on both sides but the response lacks depth. Mark for (d) = 4 out of 8 Total mark awarded = 10 out of 20

How the candidate could improve their answer

- (a) The candidate's definition is too vague and is not linked to output. The candidate needed to be more precise when giving the definition.
- (c) and (d) The candidate needed to give a wider and more in depth coverage of the points made.

Example Candidate Response – low	Examiner comments
a) Certain costs that are paid during production of product. E.g electricity, raw material etc. ① b) Frictional unemployment → It's when an individual leaves their current job and goes to another job and are told to wait for a certain period of time. Voluntary unemployment → It's when those that are from wealthy family backgrounds feel they do not need the job and decide to stay unemployed. ② c) A Country can impose tariffs on monopoly companies. Also allows small firms to produce and supply goods that those monopoly companies produce and those companies bring up a stiff competition in an economy of a country. Creating also employment for individuals as these small firms grow into successful and big business to produce more and more good leading to more employment. ③ d) It will benefit consumers as not all the firms will have the same cost price and also not all firms will have high quality goods and service. Also not all firms will have good and services that are affordable to all classes in an economy of a country. The more firms there are the more taxes are collected for the government to cater for the people, e.g providing sufficient public and merit goods from taxes collected and at e.g hospitals, police station etc that is also beneficial to the consumers. Consumers can buy good and services at a firm of their own choice. Also more firms more job creation and less unemployment. Availability of substitute goods ④	① The candidate attempts to provide a relevant example, electricity, but this is far too vague. Mark for (a) = 1 out of 2 ② The candidate identifies and explains frictional unemployment. ③ Voluntary unemployment is identified but the explanation could also apply to economic activity. Mark for (b) = 3 out of 4 ④ The candidate appears to be examining how reducing the size of some firms and increasing the size of other firms would reduce unemployment. Mark for (c) = 0 out of 6 ⑤ Several points are made by the candidate but they are not explained. For example, why might all the firms not have the same price? Mark for (d) = 2 out of 8 Total mark awarded = 6 out of 20

How the candidate could improve their answer

- (a) The candidate needed to be more precise when giving an example.
- (c) The candidate's response needed to be clearer on specific supply-side policy measures.
- (d) The candidate's points needed to be made more clearly and explained more fully. It would have been helpful for the candidate to be thinking 'why' when making statements.

Common mistakes and guidance

- (a) Candidates needed to understand that a fixed cost is not one that does not change, it is one that does not change when the output changes.
- (b) When examining cyclical unemployment, it is important that candidates recognise it is a fall in total demand and not a fall in the demand for just one product.
- (c) Candidates needed to note that the word 'measures' in this question is plural. Candidates were required to analyse at least two policy measures. When answering 'analyse' questions, candidates needed to provide some depth. They needed to link two or three points between identifying the policy measure and reducing unemployment.
- (d) It is useful for candidates to highlight key words in the question. In this question 'fewer firms', 'market' and 'benefit consumers' were all important words. Writing a brief plan may be useful for candidates. Both these strategies can help focus responses.

Question 4

Example Candidate Response – high	Examiner comments
a) Elasticity of supply is the responsiveness of the quantity of a good supplied to a change in price. An elastic good is highly responsive meaning, a slight change in price will lead to a higher proportion change in quantity supplied. ① b) A government may subsidise food production to reduce its costs to make sure it is affordable to all the individuals in an economy as food is a basic necessity. Government may subsidise food industry to make sure the country is not reliant on imports for basic needs like food. A change in the market of the country from where food is being imported can have severe effects on the price of the imports, therefore it is preferred to not be dependent on other countries for basic needs. ② c) A farmer's demand for labour could be dependent on whether the process carried out is labour intensive or capital intensive. A labour intensive method would lead to a rise in demand for labour when the demand for the good increases. (derived demand). More awareness regarding the benefits of certain food items would cause the farmers to increase demand for labourers as more of the product is demanded. Poor weather conditions may cause a farmer to cut back on the quantity produced, this would cause a decrease in demand for labour. ③ Increase in prices of substitutes like tea could increase the demand for labour for the production of coffee beans. If the productivity of labour is higher than capital, more labour can be demanded. ④ When there is change in taste and preferences of the individuals in the economy, more of the produced good (continued in Pg 11) (c) continuation. may be demanded causing the farmers to hire more labourers to increase scale of production. Increase the supply of workers willing to work i.e., the wage rate might increase, causing the farmers to reduce demand for labourers. ⑤	① The candidate provides a good definition. Mark for (a) = 2 out of 2 ② The candidate provides relevant reasons and links these with explanations. Mark for (b) = 4 out of 4 ③ The candidate identifies a clear influence. ④ The candidate correctly links the demand for labour to the demand for food. ⑤ The candidate identifies a further relevant influence. ⑥ The candidate explains why labour intensive farming might be used. ⑦ The candidate gives a good answer which clearly analyses several influences. Mark for (c) = 6 out of 6

Example Candidate Response – high, continued	Examiner comments
d) People living in cities gain higher job opportunities, causing less people to be unemployed. The income earned by individuals in cities are higher than in rural areas as the level of demand in a city is higher, this will lead to better living standards. Cities tend to provide easier access to services such as the internet, allowing individuals to gain more knowledge about importance of healthcare and usage of merit goods. ⁸ Cities also provide access to quality education, increasing the skill set of individuals, allowing them to have higher job opportunities in the future, increasing living standards. The government in urban areas such as cities tends to provide more facilities like public transport, street lighting, sewage disposal etc. This leads to an increase in living standards of individuals. The individuals living in cities have the ability to afford certain goods such as cars. Increased usage of vehicles would lead to higher pollution, causing a reduction in the living standards. The competition for jobs in cities tends to be high, with only skilled workers being able to earn a stable job. The semi skilled and the unskilled are not demanded much resulting in unemployment, decreasing living standards of certain individuals. ⁹ The production of goods in rural areas tends to be towards agriculture (primary sector), making the jobs requiring low skilled workers. This would also mean that they receive low wages and the yield produced is highly dependent on factors like weather conditions. Due to more firms setting up in cities, the level of pollution and waste produced tends to be high, decreasing living standards.	⁸ The candidate analyses the benefits of living in the city. ⁹ The candidate clearly analyses the reasons on the other side. Mark for (d) = 7 out of 8 Total mark awarded = 19 out of 20

How the candidate could improve their answer

- (d) Overall, the candidate has provided a good response. The response would have benefited from more depth, e.g. on the benefits of greater awareness of the importance of healthcare and how pollution lowers living standards.

Example Candidate Response – middle	Examiner comments
(a) Elastic Supply is when the quantity of good and services produced can go up or down and prices can go up or down. ¹ (b) Food is a basic need so a government will subsidise food production to make sure people's needs are met. Food production is also a big industry so giving them subsidise can also help create jobs as it is a very labour intensive job, helping them drop the unemployment rate. ² (c) Factors that influences a farmers demand for labour can be the supply needed. If they have a big supply coming need they will need more labour to help them get things done. The demand for the good they are producing also influences their demand for labour. If the demand is low they need less labour if the demand is high they will need more labour to produce what needs to be. Another factor could also be the costs of production, the higher the costs the less labour they will employ the lower the more labour as they can produce more. ⁴ (d) When looking at who has the better living standards between people living in the city and people living in rural areas you have to look at a number of things. People living in the cities have better access to health care and emergency services. There better jobs which give people more freedom, the costs of living is high because its a city which is expensive and they tend to have higher crime rates as there more homeless and unemployed people. But living in rural areas means that you have cheaper costs of living, lower crime rates and fresher air. But it also means that you have poor health care systems, more labour intensive jobs and you may not have access to things like running water and power. In conclusion the end I think that people living in cities have better living standards as they have access to more even though it may be more expensive. ⁷	¹ The candidate seems to be defining supply but the response is too vague. Mark for (a) = 0 out of 2 ² The candidate provides a response which recognises two relevant reasons but does not adequately explain them. Mark for (b) = 2 out of 4 ³ The candidate identifies demand for the product linked to the demand for labour and the influence of costs of production. ⁴ The candidate identifies a further influence. Mark for (c) = 3 out of 6 ⁵ The candidate provides a relevant statement of influences. ⁶ The candidate provides some suggestion of explanation. ⁷ The candidate provides an explanation of why health might be worse in rural areas. Mark for (d) = 4 out of 8 Total mark awarded = 9 out of 20

How the candidate could improve their answer

- (a) The candidate needed to be more accurate and precise when giving a definition.
- (b) The candidate's points needed more explanation.
- (c) The candidate needed to explain in more detail, e.g. in terms of employing less labour if costs rise, the response could have been more specific about wages rising.
- (d) The candidate should have been thinking 'why' and 'how' when making points. For example, the candidate could have explained why there might be better jobs, why the cost of living is high, why there are more unemployed people. The other side of the candidate's response tended to be just the reverse of the first side.

Example Candidate Response – low	Examiner comments
(a) When a shift in the demand of a product causes a larger shift in its supply. 1 (b)(i) The government might subsidise food production if there is an excess demand. 2 (b)(ii) If it wants to promote, for example, healthy food. 3 (c) A farmer's demand of labour could be influenced by what the farmer is growing, as different kinds of animals or plants require different quantities of labour. It could also be influenced by the demand of consumers for the farmer's products, so if there is a high demand the farmer must increase labour. 4 (d) People living in cities tend to have higher living standards, as every basic commodity and facility is easily accessible by the citizens, and they tend to have higher living standards of high quality. 5 An example could be hospitals. All facilities are more efficient in cities as skilled workers and entrepreneurs tend to move and move here. On the other hand people living in rural areas would suffer less from pollution. 6	1 The candidate provides an answer but this needs to be linked to a change in price. Mark for (a) = 0 out of 2 2 The candidate identifies relevant points. Mark for (b) = 2 out of 4 3 The candidate recognises the influence of the type of farming. 4 The candidate explains another influence, which is the demand for food. Mark for (c) = 3 out of 6 5 The candidate explains the influence of the demand for the product. 6 The candidate provides a relevant statement for one side of the argument. 7 The candidate provides a relevant statement for the other side of the argument. Mark for (d) = 2 out of 8 Total mark awarded = 7 out of 20

How the candidate could improve their answer

- (a) The candidate needed to provide a more precise definition that was linked to a change in price.
- (b) and (c) The candidate needed to explain their points in detail.
- (d) The candidate stated relevant points in the response but these needed to be explained.

Common mistakes and guidance

- (a) Some candidates appeared to rush their answers to this question and defined just supply or elastic demand. For those candidates who did attempt to define elastic supply, a relatively high proportion did not recognise that elasticity is concerned with percentage changes in price and quantity supplied and not absolute changes.
- (b) Candidates were asked to 'Explain two reasons'. Candidates should understand that identifying three or four reasons without explaining them is not sufficient. Also identifying and explaining three or four reasons is not the best use of candidates' time.
- (c) All questions should be read carefully. Some candidates wrote about what may cause someone to become a farmer. This was not the question. Several candidates identified a few influences but did not analyse them. A high proportion of candidates did not understand the difference between production and productivity.
- (d) Some candidates' answers were descriptive and repetitive. Answers needed to be based on economic analysis. For example, some responses described traffic congestion in city centres. Stronger responses went on to explain the external costs this could cause.

Question 5

Example Candidate Response – high	Examiner comments
(a) Dependency ratio may decrease and population size may move to optimum population size. There may also be less concern pollution. ¹ (b) Market disequilibrium is a ² (b) Market disequilibrium is a situation where demand quantity demanded does not equal quantity supplied. There may be a shortage or a surplus. If it is in shortage, people will compete to buy prices and it may drive up prices. Consumer will raise prices as quantity demanded is greater. Demand quantity demanded will decrease and it will be back at market equilibrium. When there is a surplus, price will decrease and quantity supplied will increase moving to equilibrium. ³ (c) Capital goods ⁵	

Example Candidate Response – high, continued	Examiner comments
(d) Increase in export will reduce current account deficit. Balance of payment position of the country will be improved. Also, extra output has to be produced and it may require more workers. Employment will increase and living standard will increase as income rises. It may indicate a rise in demand for exports and currency exchange rate may appreciate. There may be an increase in confidence of country's future economic prospects and it will attract more foreign investment. In these cases, exports increase in exports may lead to economic growth. However, there import may increase more than export and it will worsen the country's balance of payment position. There is a chance that the country will become more reliance on exports. A sudden change in demand for exports may have adverse effects on economy. Also, export of raw materials and capital goods may lower country's productive potential. Exporting agricultural output may increase concerns for famine as there are not enough food in the country. In conclusion, it depends on relative value of imports and type of products being exported. Although exporting increase in export have a lot of benefits, over reliance may put economy at risk. ⁸	⁸ The candidate begins to analyse. ⁹ The candidate begins to analyse from the other side of the argument. Mark for (d) = 7 out of 8 Total mark awarded = 18 out of 20

How the candidate could improve their answer

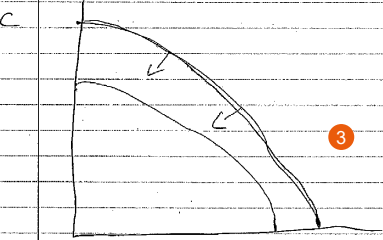
- (c) The candidate recognised that production potential would decline but does not mention that a fall in the labour force would reduce resources.
- (d) The candidate needed to provide a more in-depth discussion around why exports may be beneficial.

Example Candidate Response – middle

Examiner comments

a Better allocation of resources
less people to consume the country's resources.
better job opportunities.
Comparatively better service available.

b A country moves from disequilibrium to equilibrium by ~~ensuring~~ ensuring the aggregate demand and supply of products. When the price and demand and supply is equal this causes market equilibrium.

c 

Usually due to this there would be a ~~experience~~ of inward shift of PPC curve as

Usually due to decrease in size of labour force will result in decrease in productivity of the resources and there would be inward shift in curve as there will be less workers available to operate the resources the country has.

d As it may vary As if a country like Pakistan which is agriculture based country invest in the exports the raw material ~~will~~ when there is seasonal harvesting and can benefit but later on the prices of the shortage and export it will not benefit the economy. If the country exports the raw material and in return imports the services such as Electric car it will only result is

1 The candidate gives the idea of less pressure on resources.

Mark for (a) = 1 out of 2

2 The candidate shows an understanding of market equilibrium.

Mark for (b) = 1 out of 4

3 The candidate shows two curves with a clear indication that the curve has moved to the left.

Mark for (c) = 3 out of 6

Example Candidate Response – middle, continued

Examiner comments

negative balance of payment as in raw material there is less profit margin where as in services there is a high profit margin due to added value which will help the country ~~advt~~ result in ~~trade deficit~~ but if a country increases the exports of Tertiary sector which is mainly services and ready goods product they will have high profits and will reach to economic growth. In my opinion increase in exports helps a country in to balance payment which may result in economic growth.

Increase in export will help the companies in increase in employment and so this can result in more revenue of government through taxation which will also be a good factor for economic growth.

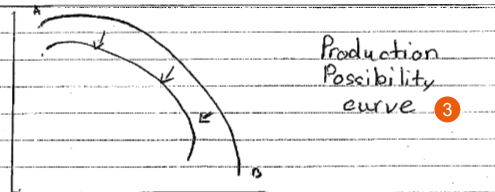
4 The candidate's response is rather narrow, largely concentrating on raw materials. Economic growth and unemployment are mentioned but not developed.

Mark for (d) = 4 out of 8

Total mark awarded = 9 out of 20

How the candidate could improve their answer

- (a) The candidate needed to be more precise when answering this question as better job opportunities and better services is too vague.
- (b) The candidate needed to demonstrate an understanding of market disequilibrium.
- (c) The candidate needed to label the axes on the diagram and the answer needed to be clearer on productive capacity.
- (d) The candidate needed to demonstrate more width in terms of the number of economic variables that could be affected by an increase in exports, and more depth in terms of links.

Example Candidate Response – low	Examiner comments
a) Reduce in environmental impact ex. pollution No overcrowding ① b) A market moves from disequilibrium to equilibrium is when the demand curve meet the supply curve. the aggregate demand meet aggregate supply. ② c)  ③ Due to decrease in the size of the country's labour force the curve shifted inside due to lack of output to the economy because of unemployment d) Increase in export will benefit an economy by increase revenue for the country because the foreign exchange rate will be high if exported in the exported country therefore it could cover the cost of production and in. However the country might have trade restriction like embargo and quotas of trade therefore it will increase cost therefore on the other hand it might increase competition if there is increase in sales. ④	① The candidate identifies two relevant benefits. Mark for (a) = 2 out of 2 ② The candidate demonstrates some understanding of market equilibrium. Mark for (b) = 1 out of 4 ③ The candidate demonstrates an awareness that the production possibility curve will shift to the left. Mark for (c) = 1 out of 6 ④ The candidate suggests a higher export revenue but the comments on trade restrictions are confused, given that the question is based on exports increasing. Mark for (d) = 1 out of 8 Total mark awarded = 5 out of 20

How the candidate could improve their answer

- (b) The candidate needed to provide more points and explanation in relation to how a market moves from disequilibrium to equilibrium.
- (c) The candidate needed to label the axes. Production possibility curves should be drawn to the axes and should be labelled. The candidate's written comments reveal a confusion between a decrease in the labour force and unemployment and between output and productive capacity.
- Questions should be read carefully so that the answers provided are clearly focused.

Common mistakes and guidance

- (a) Some candidates provided explanations of the benefits they identified. This was not required.
- (b) Some candidates showed either none or very little understanding of market disequilibrium.
- (c) When drawing production possibility curves, it is important that candidates draw the curves to the axes. They should also label the axes correctly and avoid confusing production possibility curve diagrams with demand and supply diagrams.
- (d) The answers to this question revealed several confusions for candidates. These included confusion between exports and imports, export volume and export revenue and export revenue and government tax revenue.

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