

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education Ordinary Level

MARK SCHEME for the June 2004 question papers

2281 ECONOMICS

2281/01	Paper 1 (Multiple Choice), maximum raw mark 40
2281/01	Paper 2 (Structured Questions), maximum raw mark 80

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the June 2004 question papers for most IGCSE and GCE Advanced Level syllabuses.

June 2004

GCE ORDINARY LEVEL

MARKING SCHEME

MAXIMUM MARK: 80

SYLLABUS/COMPONENT: 2281/01

Economics
Paper 1

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<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	B	21	D
2	D	22	C
3	C	23	A
4	D	24	B
5	C	25	D
6	A	26	A
7	D	27	C
8	C	28	D
9	C	29	B
10	C	30	D
11	B	31	B
12	B	32	C
13	C	33	B
14	D	34	D
15	C	35	C
16	C	36	D
17	C	37	A
18	A	38	B
19	D	39	C
20	B	40	C

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June 2004

GCE ORDINARY LEVEL

MARKING SCHEME

MAXIMUM MARK: 80

SYLLABUS/COMPONENT: 2281/02

ECONOMICS
Paper 2 (Structured Questions)

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SECTION A

SECTION A

Answer this question.

- 1 (a) 1 mark each for long working hours and physically demanding work. [2]
- (b) Up to 2 marks for an explanation of the amount of labour used compared with the amount of other factors, particularly capital. [2]
- (c) Up to 4 marks for a discussion. The evidence is not extensive. Child mortality, which was ten times the national average, is the only real evidence. One third suffering from disease implies the situation is worse, but there is no comparative figure. Now there are small health centres but it is not known how far the improvement has gone. [4]
- (d) Up to 6 marks for an explanation of why governments provide services. The syllabus does not mention market failure so accept answers that deal with aspects of market failure such as externalities, monopolies or public and merit goods but which are not expressed in these terms.
Maximum of 3 marks for any one point that is well explained.
Maximum of 3 marks for a list of points that are not well explained. [6]
- (e)(i) Up to 3 marks for explaining that a healthy workforce is more productive and has fewer absences from work. e.g. they will be more alert, more efficient, and will produce goods of a better quality. [3]
- (ii) Up to 3 marks for discussing the benefits to the employer, such as higher profits and greater efficiency as compared to costs of providing the wider benefits of health care for workers' families, the community and vast cost of providing hospital care. [3]

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SECTION B

Answer **three** questions.

- 2 (a)** 1 mark each for land, labour, capital and enterprise.
If candidates refer to passage, give 4 for land, labour and enterprise. [4]
- (b)** Up to 6 marks for explaining that the community might benefit from an income from the sale of tea, an increase in jobs created, a rise in the community's standard of living and a more pleasant environment in the area. [6]
- (c)** Up to 4 marks for explaining that the community might benefit from an income from the sale of tea, an increase in jobs created, a rise in the community's standard of living and a more pleasant environment in the area. [4]
- (d)** Up to 6 marks for a discussion of whether it is better to use resources in the short run or preserve them for the long run, whether the use can be sustainable (they may not use that term) and whether there is a better or more efficient alternative. Reward answers that present both sides of the argument. [6]
- 3 (a)** Up to 4 marks for explaining that the increase in profits is large and so should benefit the company. Managers and shareholders may benefit and consumers may get better quality products, while the government may receive increased revenue from taxes.
Can give 4 for two benefits if they are well explained. [4]
- (b)** Up to 6 marks for a discussion of seeking higher profits through increasing revenue, reducing costs or both. Revenue may be increased by increased sales or changes in prices. Costs may have been decreased by a change in the variable cost. [6]
- (c)** Up to 2 marks for a definition or formula for price elasticity of demand.
Up to 2 marks for explaining "high elasticity" as the situation where the % change in quantity demanded is greater than the % change in price or words to that effect. [4]
- (d)** Up to 6 marks for a discussion of the likely value of the price elasticity of demand for soap. Basic soap is likely to have a low price elasticity of demand but some types of soaps are expensive and may have a high elasticity. (Credit elasticity of supply or a combination of elasticity of supply and elasticity of demand – up to 6.) [6]

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- 4 (a) Up to 3 marks for an explanation of an index that measures changes in prices over time for a representative sample of goods. [3]
- (b) Up to 7 marks for an explanation of how the index is calculated involving sampling of goods, sampling of population, the use of weights based on proportions of expenditure, a base year, an index number and comparisons from base year to another. [7]
- (b) Up to 10 marks for explaining and discussing the possible causes of inflation such as excess demand, increased costs, imported inflation or increases in the supply of money.
Up to 7 marks maximum for a discussion of two causes only.
Reward answers that give a good discussion together with a conclusion. [10]
- 5 (a) Up to 2 marks for explaining that imports of goods are greater than exports of goods. Exports / imports (1), goods (1). 1 mark for current account. [3]
- (b) Up to 7 marks for discussing whether a current account deficit matters as it usually means decreased earnings potential for the economy. It might not matter if there is a surplus on services or if there are earnings on the capital account or if the deficit is only expected to be a short term one or if the deficit is small. However, this is the largest deficit on record. [7]
- (c) Up to 4 marks for a description of remedial policies such as export subsidies, or the use of tariffs and quotas to reduce imports. Answers should explain the effect of subsidies, embargoes, tariffs and quotas on the balance of trade. Give up to 3 marks for description of only one side (either exports or imports). Need both imports and exports for full 4 marks. [4]
- (d) Up to 6 marks for discussing the possible consequences of 2 of the policies identified in (c), such as retaliation by other countries or a reduction in the benefits of free trade. Look for a reasoned conclusion for higher marks. [6]

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- 6 (a) Up to 4 marks for explaining that these are % and not absolute figures and so it is not possible to say one way or the other. Richer households may actually spend more on food in total although it is a much smaller proportion of their incomes. Award some marks for an attempt to explain the difference, as this is a difficult topic.
- [4]
- (b) Up to 4 marks for an explanation of the two expenditure patterns. Candidates should state the assumptions on which they work. The most likely is that the senior post has a higher income. Candidates should then describe how expenditure patterns might vary as income increases with different types and quality of goods and services and the idea of essential and non-essential items. What items are essential and non-essential at different income levels?
- [4]
- (c) Up to 6 marks for analysing motives such as the desire to save for specific things, such as houses and cars and for non-specific things like insurance for unseen circumstances, such as illness, injury and unemployment. Other motives could relate to interest rates, expected earnings, the economic climate and tax changes.
- [6]
- (d) Up to 6 marks for discussing how an increase in spending can lead to extra incomes for others, increased employment, higher tax revenues for the government and possible effects on the balance of payments, or on inflation.
- [6]
- 7 (a) Up to 5 marks for contrasting the proportions in primary, secondary and tertiary occupations in a developing country. Do not award marks for discussion on unemployment.
- [5]
- (b) Up to 8 marks for explaining other indicators of a developing country such as GDP per head, social welfare factors, health, education, housing, inflation and the level of resources.
Maximum of 4 marks for a list only.
- [8]
- (c) Up to 2 marks for defining a multi-national company in terms of size, type of business and production in another country.
Up to 5 marks for discussing whether a multi-national benefits a developing country. It may create income and employment and lead to economic development. However its profits may be sent to its home country. It may exploit workers through low pay and poor conditions. It may harm the local environment. Answers should consider both sides of the argument and should have a reasoned conclusion to gain full marks.
Up to 3 (out of 5) marks for one side of the argument.
- [7]