

Mark Scheme (Results) Summer 2007

IGCSE

IGCSE Economics (4350/2H)

Question 1

Part	Mark Allocation	Acceptable Responses
(a) (i)	4	1 mark for the demand curve D. 1 mark for the perfectly inelastic supply curve S. 1 mark for equilibrium price P 1 mark for equilibrium quantity Q
(a) (ii)	1+1	1 mark for shift to right of demand curve on diagram, 1 mark for labelling new price. P1
(b)(i)	1+1	1 mark for each reason e.g. increase in real incomes, fashion, advertising, new uses <i>price of gold (substitute) rises.</i>
(b)(ii)	1 + 2	Elasticity of supply = 0 Correct response can refer to supply e.g. Supply does not change as price changes or to causes of this e.g. no new diamond mines found, no stocks of diamonds , <i>natural resource - can't be manufactured, scarce resources so supply limited but "supply is limited" is insufficient.</i>
(c)(i)	2	Accurate definition = 2 marks. Responsiveness of demand to a change in income. Accept formula for 2 marks. 1 mark for incomplete or partial definition.
(c)(ii)	2	1 mark for stating normal goods have a positive income elasticity. 1 mark for stating as income increases demand for the good increases and/or as income falls demand for good falls. 1 mark for example.
(c)(iii)	2	1 mark for stating as people earn more they will spend more on diamonds. (1 mark). 1 mark for stating income elasticity will be greater than one or diamonds are luxuries.
(d)(i)	4	Each characteristic identified, 1 mark, development 1 mark. e.g. firms can be owned by private individuals and by the state (2 marks) Public limited companies like Shell exist alongside state owned industries like the post office (2 marks).
(d)(ii)	Level 1 =1-2	Each characteristic identified 1 mark (no development, no relevance to named economy) e.g. public and private sectors (1 mark). 1 mark for named economy.

	Level 2 =3	Each characteristic identified 1 mark with development or relevance to named economy 1 mark e.g. in France the railway system is in the public sector but in bus transport there are some state owned companies and some private sector firms.
	Level 3=4	Each characteristic identified 1 mark with development or relevance to named economy 1 mark e.g. in France the railway system is in the public sector but in bus transport there are some state owned companies and some private sector firms. Must show some awareness of the extent of the public/private sector balance e.g. the public sector in France is diminishing as the state sells off its firms.
TOTAL	25	

Question 2

Part	Mark Allocation	Acceptable Responses
(a) (i)	1	(\$)500 \$ not needed.
(a)(ii)	2	1 mark for answer = (\$)2. \$ not needed. Must have correct calculations extra 1 mark. Can be awarded 1 mark if calculation/formula is correct but final answer incorrect.
(a)(iii)	4	1 mark for definition: costs which change as the number of customers changes. <i>Do not accept vague responses e.g. "variable costs change"</i> . 1 mark for identifying variable cost e.g. petrol/telephone charges. 1 mark for definition: costs which remain the same as the number of customers changes. 1 mark for identifying fixed cost e.g. loan repayment, insurance, licence fee, advertising. <i>Must have "in relation to output/customers" or "demand". Also accept long run but take care when candidates refer to "time".</i> <i>If definitions incorrect/vague can still achieve 1 mark for each correct example.</i>
(b) (i)	2	Each feature identified 1 mark e.g. controls the market, <i>price maker</i> high barriers to entry. accept legal definition (25% market share) or <i>one producer but not both</i> .
(b)(ii)	Level 1 = 1-2	Each effect identified but not developed 1 mark. Example: Consumers have less choice, Prices can be high.
	Level 2 = 3-4	Each effect identified and some development 2 marks. Example: less choice as decreased competition. The prices will be high depending upon the level of competition.
	Level 3 = 5-6	Must have balanced argument, (two sides) e.g. High prices but may invest profits in better taxis and better service. Prices may fall as firm experiences economies of scale (cheaper loans etc).
(c) (i)	2+2	Each way identified 1 mark, development, 1 mark. Can be either ways of decreasing monopoly power of encouraging firms to set up (could be small or large e.g. multinationals). E.g. advice and loans to help small firms set up. Privatisation (1 mark).
(c)(ii)	Level 1 =1-2	Basic statements e.g. government has encouraged small firms increased number of firms (1mark). No development, no specific measures, no relation to specific country. Accept measures to increase international competition.

	Level 2 =3-4	Specific measures identified and effects (2 marks). E.g. Government gives interest free loans to individuals to set up businesses (1 mark) and this has led to lots of new small retailers opening (1 mark) in towns in (specific country)(1 mark). Must have specific country for 4 marks.
	Level 3 = 5-6	Must have reference to success and failure of measures for full marks.
TOTAL	25	

Question 3

Part	Mark Allocation	Acceptable Responses
(a)(i)	1	Progressive = Tax B
(a)(ii)	1	Proportional = Tax A
(b) (i)	2	1 mark for tax on expenditure/spending/buying goods and services. <i>Also accept characteristics e.g. "can be passed on to another person" but do not accept "a tax which is direct".</i> 1 mark for example: e.g. VAT. <i>Also accept tax on specific item e.g. tax on cigarettes.</i> <i>Also "tax not collected at source".</i>
(b)(ii)	2	Each way identified 1 mark. E.g. Sale of public industries (privatisation), profits from public industries, fines. <i>Don't accept "raise interest rates", "borrowing" or "more exports".</i>
(c)(i)	2	Each measure identified, 1 mark e.g. retraining, income tax into, investment incentives.
(c)(ii)	Level 1=1-3 marks	1 mark for each statement explaining how supply side policies can reduce unemployment e.g. retraining can give workers new skills.
	Level 2=4marks	1 mark for statement explaining how supply side policies can reduce unemployment but must also have statements referring to limitations of supply side policies e.g. retraining can give workers new skills but if there are no jobs available then there will still be unemployment.
(d)(i)	2	General and/or persistent rise (1 mark) in the level of prices (1 mark). Or fall in purchasing power (2 marks). Rise in prices (1 mark)
(d)(ii)	Level 1 = 1-2	Each valid statement with no development, 1 mark. e.g. savers/lenders lose.
	Level 2 = 3-4	Each valid statement with development, 2 marks. e.g. savers/lenders lose because the amount they receive from their savings may be less in real terms - can buy less in the future.
	Level 3 = 5	Must have some evaluation of the effect of this on the different groups. Savers lose because the amount they receive from their savings may be less in real terms - can buy less in the future. This may mean that savings will fall. Borrowers win because the amount they pay back is less in real terms. However, as savings fall so it may become more

(d)(iii)	Level 1 = 1-2	difficult for funds to be available for borrowing. Must have "winners" and "losers" for 5 marks. Each effect identified 1 mark. No development. E.g. increases cost of borrowing, 1 mark.
	Level 2 = 3-4	Each effect identified (1 mark) with development (1 mark). Must have positive and negative effects E.g. Increasing the rate of interest will reduce demand and may cause unemployment.
	Level 3 = 5-6	Need some assessment/judgement of the overall effect on government objectives e.g. it may reduce inflation through controlling demand but the effects on other objectives may be positive and negative. i.e. unemployment may rise due to the fall in demand. Economic growth may fall as investment falls due to the increased cost of borrowing but the balance of payments may benefit as exports may become more competitive when inflation is controlled. Need 2 different objectives apart from inflation. Max for list = 3 marks.
TOTAL	25	

Question 4

Part	Mark Allocation	Acceptable Responses
(a)(i)	1	Effect identified 1 mark e.g. increased exports.
(a)(ii)	1	Effect identified 1 mark e.g. export earnings fell.
(a)(iii)	1	Effect identified 1 mark e.g. 20,000 workers laid off. <i>Effects can be taken beyond the data if relevant e.g. "China's balance of payments will be more favourable".</i>
(b)(i)	1	Quota
(b)(ii)	2	Money paid to producers by state reduces costs (1 mark) and makes home produced goods cheaper. (1 mark).
(b)(iii)	5	Diagram: 1 mark original p & q 1 mark for shift of supply to left 1 mark for new p & q 2 marks for explanation. E.g. tax increases costs (1 mark) so supply shifts to left which leads to increase in price and fall in quantity (1 mark). Accept alternative diagram for 3 marks.
(c)(i)	2	Group of countries which have no internal barriers (2 marks). "Trade with no internal barriers" (1 mark).
(c)(ii)	2	Barriers to trade fall e.g. tariffs (1 mark) so goods and services can move freely between countries (1 mark).
(c)(iii)	Level 1= 1-2 Level 2 = 3-4	Each advantage/disadvantage identified, 1 mark, e.g. export markets increase, cheaper imports. Advantage and disadvantage with some attempt at evaluation e.g. joining a trading bloc means that producers face competition (1 mark). This may lead to cheaper goods for consumers (1 mark) but it may mean that some producers may close down (1 mark) leading to unemployment (1mark). Each effect no development, maximum 2 marks. E.g. increased imports/exports, cheaper imports.
(d)(i)	2	Each aim, 1 mark e.g. promote free trade, settle trade disputes, promotes economic growth, urge countries to decrease trade barriers.
(ii)	Level 1=1-2	Each gain identified, 1 mark e.g. increased trade, free access to large market.

	Level 2 = 3-4	Gain identified, 1 mark and development 1 mark e.g. increased trade will lead to increased exports to China and stimulate the economies of the other members. Also credit negative effects of China's membership.
TOTAL	25	