

# Cambridge IGCSE™ (9–1)

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**ECONOMICS**

**0987/02**

Paper 2 Structured Questions

**For examination from 2027**

MARK SCHEME

Maximum Mark: 80

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**Specimen**

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This document has **16** pages.

## Generic Marking Principles

All examiners must apply these general marking principles when marking candidate responses. Examiners must apply them alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme must 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 descriptions for the question
- the specific skills defined in the mark scheme or in the generic level descriptions 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 descriptions.

### 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 descriptions in mind.

**Social Sciences-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:

- 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)
- DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- 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 ...).
- 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.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- 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).
- 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.

**Assessment objectives****AO1 Knowledge and understanding**

- Demonstrate knowledge and understanding of economic definitions, formulas, concepts and theories.
- Use economic terminology.

**AO2 Analysis**

- Select, organise and interpret economics data and information.
- Apply economic analysis to written, numerical, diagrammatic and graphical data.
- Analyse economic issues, identifying and developing links and relationships.

**AO3 Evaluation**

- Evaluate economic information, data and arguments, and recognise that economic decisions have uncertain outcomes.

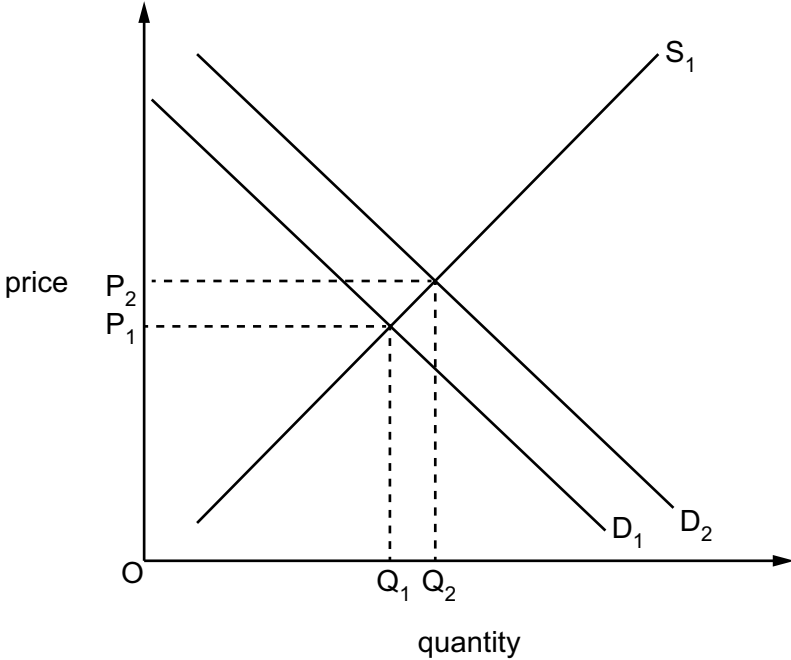
**Table A**

Use this table to give marks for each candidate response for **Questions 2(d), 3(d), 4(d) and/or 5(d)**.

<b>Level</b>	<b>Description</b>	<b>Marks</b>
<b>3</b>	<ul style="list-style-type: none"> <li>• A reasoned discussion which accurately considers two sides of an economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations.</li> <li>• One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</li> <li>• There is accurate use of economic concepts, terminology, information and/or data appropriate to the question.</li> </ul>	<b>6–8</b>
<b>2</b>	<ul style="list-style-type: none"> <li>• A reasoned discussion which makes use of economic information and clear analysis to consider economic issues and situations.</li> <li>• The answer may lack some depth and development may be one-sided.</li> <li>• There is some relevant use of economic concepts, terminology, information and data appropriate to the question.</li> </ul>	<b>3–5</b>
<b>1</b>	<ul style="list-style-type: none"> <li>• Relevant definitions and/or relevant statements that are not developed.</li> </ul>	<b>1–2</b>
<b>0</b>	<ul style="list-style-type: none"> <li>• No creditable content.</li> </ul>	<b>0</b>

**Section A**

Question	Answer	Marks
Follow the point-based marking guidance on page 3 of this mark scheme.		
1(a)	<p><b>Calculate the value of Algeria’s primary sector output in 2023. Show your working.</b></p> <p>Correct answer: \$31.2bn <b>(2)</b></p> <p>Correct method but incorrect answer:</p> <p>Gross Domestic Product (GDP) / primary sector’s share of GDP <b>(1)</b></p> <p>\$208bn × 15/100 <b>(1)</b></p>	<b>2</b>
1(b)	<p><b>Identify <u>two</u> capital goods employed in Algeria’s primary sector.</b></p> <p>Award 1 mark for each capital good up to a maximum of 2.</p> <ul style="list-style-type: none"> <li>• drilling machinery <b>(1)</b></li> <li>• irrigation equipment <b>(1)</b></li> <li>• buildings <b>(1)</b></li> </ul> <p><b>Guidance:</b> If more than two goods given, only consider the first three. Must be selected from the source information.</p>	<b>2</b>
1(c)	<p><b>Explain <u>one</u> reason why productivity increased in Algeria’s tertiary sector.</b></p> <p>Award 1 mark for identification. Award 1 mark for explanation.</p> <ul style="list-style-type: none"> <li>• Improvements in education <b>(1)</b> are likely to increase workers’ skills <b>(1)</b>.</li> <li>• Advances in technology <b>(1)</b> will enable workers to work with better capital equipment <b>(1)</b>.</li> <li>• Rise in wages <b>(1)</b> may increase the motivation of workers <b>(1)</b>.</li> </ul>	<b>2</b>

Question	Answer	Marks
1(d)	<p><b>Draw a demand and supply diagram to show the effect of an increase in vegetarianism on the market for tomatoes.</b></p> <p>Demand and supply diagram:</p> <ul style="list-style-type: none"> <li>• Axes correctly labelled <b>(1)</b>.</li> <li>• Original demand and supply curves <math>D_1</math> and <math>S_1</math> correctly labelled <b>(1)</b>.</li> <li>• New demand curve <math>D_2</math> shifted to the right <b>(1)</b>.</li> <li>• Equilibriums – shown by lines <math>P_1</math> and <math>Q_1</math> and <math>P_2</math> and <math>Q_2</math> or equilibrium points marked as <math>E_1</math> and <math>E_2</math> <b>(1)</b>.</li> </ul>  <p><b>Guidance:</b> There are no marks awarded for written analysis.</p>	4

Question	Answer	Marks
1(e)	<p><b>Analyse the relationship between life expectancy and the net migration rate.</b></p> <p>Award marks as shown up to a maximum of 4 marks:</p> <ul style="list-style-type: none"> <li>• 1 mark for the expected relationship</li> <li>• up to 2 marks for supporting evidence</li> <li>• up to 2 marks for analysis of expected relationship</li> <li>• 1 mark for an exception</li> <li>• 1 mark for evidence of why this is an exception</li> <li>• 1 mark for analysis of the exception.</li> </ul> <p>Coherent analysis which may include:</p> <ul style="list-style-type: none"> <li>• Expected relationship: A high life expectancy to be accompanied by a positive migration rate (net immigration) / a positive or direct relationship <b>(1)</b>.</li> <li>• Supporting evidence: E.g. Monaco has the longest life expectancy and the highest net immigration / positive migration rate <b>(1)</b>. The three countries with life expectancy over 80 had net immigration / positive immigration or the three countries with the lowest life expectancy had net emigration / negative migration <b>(1)</b>.</li> <li>• Analysis of expected relationship: A long life expectancy would suggest good healthcare / high living standards <b>(1)</b> this may encourage more people to move to the country <b>(1)</b>.</li> <li>• Exception and evidence for exception: Fiji / Tonga <b>(1)</b> Fiji had a lower life expectancy than Tonga but a lower net emigration rate / negative migration rate <b>(1)</b>.</li> <li>• Analysis of exception: There are other influences on migration e.g. immigration controls <b>(1)</b>.</li> </ul>	<b>4</b>

Question	Answer	Marks										
1(f)	<p><b>Discuss whether or not the Algerian Government should impose a carbon tax.</b></p> <p>Award up to 4 marks for logical reasons why the government should, which may include to:</p> <ul style="list-style-type: none"> <li>• put pressure on firms to reduce carbon dioxide emissions <b>(1)</b> reduce external costs <b>(1)</b> reduce misallocation of resources <b>(1)</b> increase life expectancy / raise living standards <b>(1)</b></li> <li>• reduce soil erosion <b>(1)</b> allow farm workers to work longer hours <b>(1)</b> increase agricultural output <b>(1)</b></li> <li>• reduce extreme weather and its harmful impacts on buildings/crops/ tourism <b>(1)</b> raise GDP <b>(1)</b> increase incomes <b>(1)</b> increase tax revenue <b>(1)</b></li> <li>• help achieve the government objective of environmental protection <b>(1)</b>.</li> </ul> <p>Award up to 4 marks for logical reasons why the government should not, which may include:</p> <ul style="list-style-type: none"> <li>• if other countries do not impose a carbon tax <b>(1)</b> this may make Algeria's products less competitive <b>(1)</b> reduce exports <b>(1)</b> firms may move to other countries <b>(1)</b> may not reduce global pollution <b>(1)</b></li> <li>• Algeria produces high quantities of oil and natural gas <b>(1)</b> may reduce employment in these major industries <b>(1)</b></li> <li>• a carbon tax is likely to be regressive <b>(1)</b> fall more heavily on the poor <b>(1)</b></li> <li>• may be expensive to operate (as can be a complicated process) <b>(1)</b>.</li> </ul> <p><b>Guidance:</b> Each point may be credited only once, on either side of an argument, but reward separate development as to how/why the outcome may differ.</p> <table border="1" data-bbox="308 1205 1326 1599"> <thead> <tr> <th data-bbox="308 1205 1222 1256">Generic example</th> <th data-bbox="1222 1205 1326 1256">mark</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 1256 1222 1308">Tax revenue may decrease ...</td> <td data-bbox="1222 1256 1326 1308">1</td> </tr> <tr> <td data-bbox="308 1308 1222 1359">... because of reason e.g. incomes may be lower.</td> <td data-bbox="1222 1308 1326 1359">1</td> </tr> <tr> <td data-bbox="308 1359 1222 1444">Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td> <td data-bbox="1222 1359 1326 1444">0</td> </tr> <tr> <td data-bbox="308 1444 1222 1599">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 data-bbox="1222 1444 1326 1599">1</td> </tr> </tbody> </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	<b>6</b>
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**Section B**

Follow the point-based marking guidance on page 3 of this mark scheme for **(a)**, **(b)** and **(c)** in all Section B questions.

Question	Answer	Marks
2(a)	<p><b>Define ‘international trade’.</b></p> <ul style="list-style-type: none"> <li>• The exchange of goods (and services) <b>(1)</b> between countries <b>(1)</b>.</li> </ul>	<b>2</b>
2(b)	<p><b>Explain <u>two</u> consequences for firms of a decrease in their country’s unemployment rate.</b></p> <p>Award 1 mark for identification and 1 mark for explanation (× 2).</p> <ul style="list-style-type: none"> <li>• Lower unemployment is likely to increase demand <b>(1)</b> this may raise firms’ revenue / profits <b>(1)</b>.</li> <li>• Lower unemployment may increase workers’ wages <b>(1)</b> due to greater bargaining power / increasing firms’ costs of production <b>(1)</b>.</li> <li>• Lower unemployment may make it difficult for firms to recruit workers <b>(1)</b> may stop firms expanding <b>(1)</b>.</li> </ul> <p><b>Guidance:</b> If more than two consequences given, only consider the first three.</p>	<b>4</b>

Question	Answer	Marks
2(c)	<p><b>Analyse <u>two</u> policy measures a government could use to reduce unemployment.</b></p> <p>Award up to 2 marks for identifying two types of relevant policies / policy measures. Award the remaining marks for analysis as shown.</p> <ul style="list-style-type: none"> <li>• A government could cut taxes / use expansionary fiscal policy <b>(1)</b> increasing disposable income <b>(1)</b> increasing purchasing power <b>(1)</b> increasing consumer expenditure <b>(1)</b> increasing investment <b>(1)</b> increasing total (aggregate) demand <b>(1)</b> encouraging firms to expand <b>(1)</b> increasing economic growth <b>(1)</b> reducing cyclical unemployment <b>(1)</b>.</li> <li>• A government could increase government spending / use expansionary fiscal policy <b>(1)</b> increasing total (aggregate) demand <b>(1)</b> reducing cyclical unemployment <b>(1)</b>.</li> <li>• A government could reduce the rate of interest / use expansionary monetary policy <b>(1)</b> reducing the cost of borrowing <b>(1)</b> reducing the reward for saving <b>(1)</b> increasing consumer expenditure <b>(1)</b> increasing total (aggregate) demand <b>(1)</b> reducing cyclical unemployment <b>(1)</b>.</li> <li>• A government could increase the money supply / expansionary monetary policy <b>(1)</b> by printing money / reducing restrictions on bank lending <b>(1)</b> increasing total (aggregate) demand <b>(1)</b>.</li> <li>• A government could improve education, training or health / use supply-side policy <b>(1)</b> increasing workers' skills <b>(1)</b> increasing occupational mobility <b>(1)</b> reducing structural unemployment <b>(1)</b>.</li> <li>• A government could increase spending on infrastructure / use supply-side policy <b>(1)</b> increasing geographical mobility <b>(1)</b> reducing structural unemployment <b>(1)</b>.</li> <li>• A government could increase information on job vacancies or those seeking work / use supply-side policy <b>(1)</b> reducing frictional unemployment <b>(1)</b>.</li> <li>• A government could reduce unemployment benefit / use supply-side policy <b>(1)</b> increase the gap between paid employment and unemployment benefit <b>(1)</b> increase the incentive to work <b>(1)</b> reduce frictional unemployment <b>(1)</b>.</li> </ul> <p><b>Guidance:</b> Do not reward the same point twice, e.g. increase total demand, reducing cyclical unemployment.</p>	<b>6</b>

Question	Answer	Marks
2(d)	<p><b>Discuss whether or not an increase in a surplus on the current account of the balance of payments will increase living standards in a country.</b></p> <p>Use Table A to mark candidate responses to this question.</p> <p>Why it will:</p> <ul style="list-style-type: none"> <li>• increase demand and raise employment</li> <li>• higher employment may increase wages</li> <li>• higher wages enable households to consume more goods and services</li> <li>• higher incomes can increase tax revenue and enable the government to spend more on education and healthcare</li> <li>• may raise the exchange rate, making imports more affordable.</li> </ul> <p>Why it will not:</p> <ul style="list-style-type: none"> <li>• more goods and services will leave the country</li> <li>• opportunity cost of exports – exported goods and services could have been sold on the home market</li> <li>• resources may be depleted which could reduce future living standards</li> <li>• the higher demand may result in inflation (demand-pull inflation)</li> <li>• some people's income may not increase in line with prices</li> <li>• a higher exchange rate may reduce international competitiveness, lowering exports and incomes.</li> </ul>	8

Question	Answer	Marks
3(a)	<p><b>Identify the difference between external cost and social cost.</b></p> <ul style="list-style-type: none"> <li>• External cost is a cost to a third party <b>(1)</b> whereas social cost is total cost / includes external and private costs <b>(1)</b>.</li> <li>• Private cost <b>(2)</b>.</li> </ul>	2
3(b)	<p><b>Explain <u>two</u> causes of an increase in the price elasticity of demand for rice.</b></p> <p>Award 1 mark for identification and 1 mark for explanation (× 2).</p> <ul style="list-style-type: none"> <li>• Closer substitutes <b>(1)</b> fall in price / rise in quality of rival products <b>(1)</b>.</li> <li>• An increase in income <b>(1)</b> rice would take up a smaller proportion of income <b>(1)</b>.</li> <li>• Time period <b>(1)</b> the longer the time period, the more time people will have to find alternatives <b>(1)</b>.</li> <li>• Rice being seen less as necessity <b>(1)</b> other food items may be added to people's diet <b>(1)</b>.</li> </ul> <p><b>Guidance:</b> If more than two causes given, consider only the first three.</p>	4

Question	Answer	Marks
3(c)	<p><b>Analyse how the setting of a maximum price and a minimum price can result in market disequilibrium.</b></p> <p>Award 1 mark for stating where maximum price would be set and 1 mark for stating where minimum price would be set. OR Award 1 mark for showing where a maximum price would be on a diagram and 1 mark for showing where a minimum price would be.</p> <p>Award the remaining marks for analysis as shown.</p> <ul style="list-style-type: none"> <li>• Setting a maximum price below the equilibrium price <b>(1)</b> would cause price to fall <b>(1)</b> demand to extend / rise <b>(1)</b> supply would contract / fall <b>(1)</b> there is likely to be a shortage / excess demand <b>(1)</b>.</li> <li>• Setting a minimum price above the equilibrium price <b>(1)</b> would cause price to rise <b>(1)</b> demand to contract / fall <b>(1)</b> supply to extend / rise <b>(1)</b> there is likely to be a surplus / excess supply <b>(1)</b>.</li> </ul>	<b>6</b>
3(d)	<p><b>Discuss whether or not a government should subsidise toothpaste.</b></p> <p>Use Table A to mark candidate responses to this question.</p> <p>Why it should:</p> <ul style="list-style-type: none"> <li>• toothpaste may be considered to be a merit good</li> <li>• consumers may under-estimate its true value</li> <li>• may be under-consumed and under-produced</li> <li>• a subsidy could increase supply, lower price and cause demand to extend</li> <li>• higher consumption of toothpaste could reduce tooth decay</li> <li>• will reduce healthcare costs.</li> </ul> <p>Why it should not:</p> <ul style="list-style-type: none"> <li>• toothpaste may be relatively cheap and so affordable without a subsidy</li> <li>• rich consumers can afford it anyway</li> <li>• a subsidy may encourage producers to be inefficient</li> <li>• the subsidy may not be passed on to consumers</li> <li>• toothpaste may go from being under-consumed to being over-consumed.</li> </ul>	<b>8</b>

Question	Answer	Marks
4(a)	<p><b>Define ‘division of labour’.</b></p> <ul style="list-style-type: none"> <li>The breaking down of production into separate tasks <b>(1)</b> and each worker concentrating on particular tasks <b>(1)</b>.</li> </ul>	<b>2</b>
4(b)	<p><b>Explain <u>two</u> reasons why saving may decrease.</b></p> <p>Award 1 mark for identification and 1 mark for explanation (× 2).</p> <ul style="list-style-type: none"> <li>Income may fall <b>(1)</b> people may have to spend a higher proportion of their income <b>(1)</b>.</li> <li>A reduction in the interest rate <b>(1)</b> reduces the reward for saving <b>(1)</b>.</li> <li>Greater confidence in the future <b>(1)</b> not expecting the need for a safety net <b>(1)</b>.</li> <li>Fewer saving schemes available <b>(1)</b> may not have schemes that suit people’s needs <b>(1)</b>.</li> <li>Less trust in financial institutions <b>(1)</b> may not be willing to put money into saving accounts <b>(1)</b>.</li> <li>Change in age of population <b>(1)</b> e.g. older people may be using rather than adding to their savings <b>(1)</b>.</li> <li>A change in social attitudes <b>(1)</b> may be more acceptable to borrow in order to buy items <b>(1)</b>.</li> </ul>	<b>4</b>
4(c)	<p><b>Analyse <u>two</u> reasons why fewer people may have decided to become teachers.</b></p> <p>Award 1 mark for identifying each reason up to a maximum of 2. Award the remaining marks for analysis as shown.</p> <ul style="list-style-type: none"> <li>The wages of teachers may have declined / be low <b>(1)</b> making it less financially rewarding to become a teacher / may be able to earn more in another occupation <b>(1)</b> may be due to reduction in bargaining power <b>(1)</b>.</li> <li>Working conditions may be poor <b>(1)</b> may have to work long hours <b>(1)</b> may have to teach large classes <b>(1)</b> managing poor behaviour of students <b>(1)</b> large amount of administrative work / increase in the paperwork required <b>(1)</b>.</li> <li>Qualifications needed may have increased <b>(1)</b> there may be a longer period of training <b>(1)</b> cost of training may be high <b>(1)</b>.</li> </ul>	<b>6</b>

Question	Answer	Marks
4(d)	<p><b>Discuss whether or not consumers would benefit from more firms competing in the electric car market.</b></p> <p>Use Table A to mark candidate responses to this question.</p> <p>Why consumers would benefit:</p> <ul style="list-style-type: none"> <li>• more competition may result in better quality</li> <li>• prices may be lower as consumers can switch between producers</li> <li>• more choice – greater variety of electric cars</li> <li>• different cars may meet different needs e.g. wide-opening doors for older drivers</li> <li>• less pollution as there may be more electric cars produced and fewer petrol-driven cars</li> <li>• greater consumer power – increased ability to influence the market</li> <li>• reduced risk of diseconomies of scale.</li> </ul> <p>Why consumers would not benefit:</p> <ul style="list-style-type: none"> <li>• some of the firms may be small, not able to take advantage of economies of scale</li> <li>• may be unable to benefit from technical economies of scale which are significant in the production of electric cars</li> <li>• average costs and prices may be higher</li> <li>• fewer, larger firms may have more funds to invest in improving the quality of cars.</li> </ul>	<b>8</b>

Question	Answer	Marks
5(a)	<p><b>Identify <u>two</u> reasons why a government may want a lower foreign exchange rate.</b></p> <p>Award 1 mark for each reason up to a maximum of 2.</p> <p>Possible reasons:</p> <ul style="list-style-type: none"> <li>• improve the current account of the balance of payments / increase exports</li> <li>• increase economic growth</li> <li>• increase employment / lower unemployment</li> <li>• lack of foreign exchange reserves to maintain current value.</li> </ul> <p><b>Guidance:</b> If more than two reasons given, consider only the first three.</p>	<b>2</b>

Question	Answer	Marks
5(b)	<p><b>Explain how opportunity cost influences whether a school leaver decides to go to university.</b></p> <p>Award up to 2 marks for an understanding / definition of opportunity cost and up to 2 marks for applying it to this context. OR Award up to 4 marks for applying opportunity cost to this context, including an implicit understanding of opportunity cost.</p> <ul style="list-style-type: none"> <li>• Opportunity cost is the (next) best alternative <b>(1)</b> forgone / given up <b>(1)</b>.</li> <li>• Being a university student means that a student is giving up the opportunity to start a full-time job <b>(1)</b>.</li> <li>• The student will consider the loss of earnings in the short run <b>(1)</b> and the potential higher earnings that may be earned with a degree <b>(1)</b>.</li> <li>• The student is also likely to compare the satisfaction gained from studying against the satisfaction from working <b>(1)</b>.</li> </ul>	<b>4</b>
5(c)	<p><b>Analyse how a decrease in investment may increase poverty.</b></p> <p>Award 1 mark for an understanding of investment and 1 mark for an understanding of poverty and award the remaining marks for analysis as shown. OR Award up to 6 marks for an analysis that includes an implicit understanding of the terms.</p> <ul style="list-style-type: none"> <li>• Investment includes spending on capital goods <b>(1)</b> a decrease in investment may mean that output will fall <b>(1)</b> this may cause unemployment to rise <b>(1)</b> incomes may fall <b>(1)</b> people may struggle to buy basic necessities <b>(1)</b> increasing absolute poverty <b>(1)</b>.</li> <li>• A decrease in investment in education / training / healthcare <b>(1)</b> may reduce some workers' skills / productivity <b>(1)</b> lowering some wages <b>(1)</b> increasing the gap between the rich and the poor <b>(1)</b> causing an increase in relative poverty <b>(1)</b>.</li> <li>• A decrease in investment may mean that firms are using older equipment <b>(1)</b> which may increase average costs of production <b>(1)</b> raising prices <b>(1)</b> reducing people's purchasing power <b>(1)</b>.</li> </ul>	<b>6</b>

Question	Answer	Marks
5(d)	<p><b>Discuss whether or not attracting more foreign MNCs will reduce inflation.</b></p> <p>Use Table A to mark candidate responses to this question.</p> <p>Why it will reduce inflation:</p> <ul style="list-style-type: none"> <li>• MNCs may use advanced technology and have low costs of production</li> <li>• productivity of their workers may be high due to good training, further lowering costs of production</li> <li>• MNCs' lower costs of production may reduce cost-push inflation</li> <li>• MNCs may increase competition with domestically-owned firms restricting price rises</li> <li>• Presence of MNCs may reduce the need to import some goods, which may have been expensive because of import tariffs.</li> </ul> <p>Why it will not reduce inflation:</p> <ul style="list-style-type: none"> <li>• MNCs may eliminate domestic producers and may then raise price</li> <li>• MNCs may pay higher wages which can increase total demand</li> <li>• MNCs may result in more exports which can increase total demand</li> <li>• Higher total demand may result in demand-pull inflation</li> <li>• MNCs may deplete natural resources which may mean that the country has to import natural resources.</li> </ul>	<b>8</b>