CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

Paper 2 Structured Questions **May/June 2025**

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

© Cambridge University Press & Assessment 2025

PUBLISHED

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

© Cambridge University Press & Assessment 2025

GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

© Cambridge University Press & Assessment 2025

PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

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

From this it follows that we:

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

2 Presentation of mark scheme:

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

© Cambridge University Press & Assessment 2025

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.

© Cambridge University Press & Assessment 2025

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standard isation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Uncertain what the candidate means – an illogical line of thought
	Benefit of the doubt
	Blank page
	Caret – a word is missing.
	Confused
	Cross
Highlighter	Highlight
	Nothing creditworthy

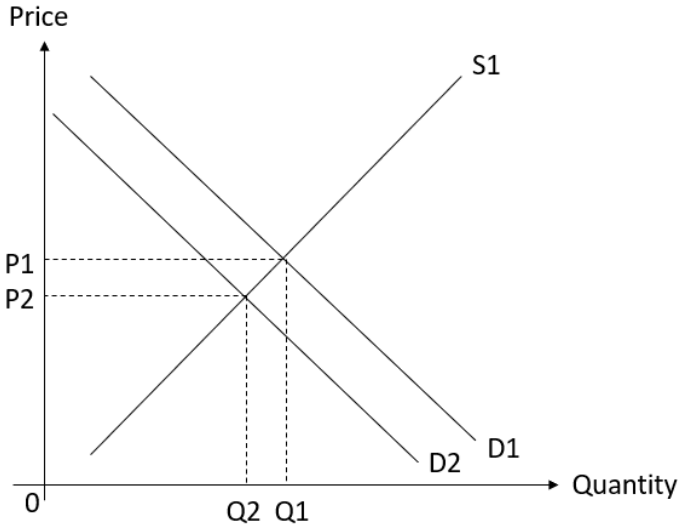
© Cambridge University Press & Assessment 2025

Annotation	Meaning
L1	Level 1
L2	Level 2
L3	Level 3
MAX	MAX
NAQ	Not answered question
NE	Not established – a statement made without any support
REP	Repetition
SEEN	SEEN
	Tick – a credit worthy point
TV	Too vague
On-page comment	To be used when a candidate has misidentified a question they have answered e.g.: This is an answer to **Q4(c)** and not **Q5(c)**.

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
1(a)	**Calculate the number of people who are in poverty in Egypt.** 30.69 million	**1**	30 690 000 Accept 30.7 million.
1(b)	**Identify <u>two</u> of Egypt's primary sector exports.** Two from: oil (1), citrus fruits (1), gold (1)	**2**	Accept any two
1(c)	**Explain how building a new city can reduce unemployment.** Building a new city requires labour / creates job opportunities / increases demand for labour (1) to work in construction / build new buildings (1).	**2**	Only one mark if not linked to building.
1(d)	**Explain why tourism is a good source of economic growth for Egypt.** Logical explanation which might include: Egypt has many ancient / human-made attractions and buildings (1) not found in many parts of the world / that tourists want to visit (1) creating more employment / tax revenue (1). Egypt has natural attractions, such as beautiful beaches / warm climate / good weather (1) these attract tourists / low government spending required / low investments required (1). Egypt has good infrastructure (1) this can attract tourists as its easier to travel to the country or attractions / can attract investors with lower cost of production (1). Egypt has good security (1) tourists feel safe / investors are confident in the security of their investments (1). Egypt has experienced a fall its currency value (1) making holidays more affordable (1).	**4**	Award a maximum of 2 marks for just identification of points without explanation.

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
1(e)	**Draw a demand and supply diagram to show the likely effect of falling incomes on the market for housing in the new city.** D&S diagram: Axes correctly labelled – price and quantity or p and q (1). Original demand and supply curves correctly labelled (1). New demand curve shifted to the left (1). Equilibriums – shown by lines P_1 and Q_1 and P_2 and Q_2 or equilibrium points marked as E_1 and E_2 (1).	**4**	

Question	Answer	Mark	Guidance
1(f)	**Analyse the relationship between investment (as a % of GDP) and economic growth rates for Egypt.** Coherent analysis which might include: Expected relationship: Positive / direct (1) higher / lower investment should lead to higher / lower economic growth rates (1). Supporting evidence: From 2017–2019, Investment rising and economic growth also rising (1) From 2019–2020, investment falling and economic growth also falling (1). Analysis: Higher investment leads to higher economic growth due to higher total demand / investment is a component of total demand (1) and increased productivity / lower cost of production (1). Exception: identification of an exception 2015–2017 or 2020–21 (1), 2015–2017, investment rising but economic growth falling slightly / relatively stable / largely unchanged (1), 2020–2021, investment falling but economic growth rate rising (1). Analysis of the exception: Current investment increase now could lead to a delayed response in economic growth rates (1) data shows percentage not total investment (1).	**5**	Responses do not have to be in the format suggested but they should address the expected / normal relationship, offer supporting evidence of that, highlight any exceptions to that, and analyse the overall data.

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not deregulation in education in Egypt will increase living standards.

Award up to 4 marks for logical reasons why it might, which may include:
• deregulation has led to an increased number of schools / universities in Egypt (1) may increase competition between private schools / universities (1) may lower fees (1) raise quality (1)
• more people have opportunities for education and training (1) making people more educated / skilled / qualified / literate / productive (1) easier to find jobs (1) earn an income (1) increasing affordability of goods and services (1) more educated people tend to enjoy better health / spend more on healthcare (1) longer life expectancy (1) increase HDI (1)
• more school buildings will increase employment (1) of builders (1) teachers (1)
• may reduce government spending on education (1) allowing the government to spend more on items that could increase living standards e.g. healthcare (1).

Award up to 4 marks for logical reasons why it might not:
• opening more private schools and universities in Egypt might increase the level of inequality (1) as private education remains unaffordable to lower income groups (1) restricting their employment opportunities (1) as private education is usually more expensive than state-provided education (1)
• standards of living only improve for those from higher income groups (1) lower income groups remain in relative poverty (1) widen gap between rich and poor / increase relative poverty (1)
• private schools and universities may prioritise profits (1) over the quality / standards of education provided (1).</td><td>6</td><td>Answers not referring to education, max 3 marks.

Apply this example to all questions with the command word DISCUSS
(1(g), 1(h), 2(d), 3(d), 4(d) and 5(d))

Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.

<table>
<tr><th>Generic example</th><th>mark</th></tr>
<tr><td>Tax revenue may decrease</td><td>1</td></tr>
<tr><td>because of reason e.g. incomes may be lower.</td><td>1</td></tr>
<tr><td>Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td><td>0</td></tr>
<tr><td>Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.</td><td>1</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
1(h)	**Discuss whether or not a fall in the value of the Egyptian currency would harm the Egyptian economy.** Award up to 4 marks for logical reasons why it might, which may include: • fall in the value of the Egyptian currency may cause cost push (1) inflation (1) reducing the purchasing power of Egyptians (1) as imported goods become more expensive (1) standards of living could decrease (1) • cost of production could increase (1) increasing the price of domestically produced goods (1) some firms may try to cut cost by reducing jobs (1) increase unemployment (1) • may create uncertainty / reduce confidence (1) discourage investment (1). Award up to 4 marks for logical reasons why it might not, which may include: • Egyptian exports become cheaper (1) increasing demand for exports / increasing revenues of domestic producers / incomes (1) causing economic growth (1) demand may switch from imports to domestically produced products (1) may reduce current account deficit (1) • industries such as the tourism industry may benefit (1) as holidays in Egypt become more affordable for non-Egyptians (1) • workers also have more job opportunities (1) since there is more demand for domestically produced goods and services (1) • may increase investment / hot money flows (1) reduced cost to set up an MNC / may expect profit if currency value rises later (1).	**6**	One mark for identifying increase or decrease in investment.

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
2(a)	**Define international trade.** Movement / exchange of goods and services / products (1) between countries (1). Exports and imports (1) of goods and services / products (1).	**2**	
2(b)	**Explain the importance of commercial banks to governments.** Logical explanation which might include: • facilitating transactions for the government (1) e.g. managing government payments to suppliers / workers / receive tax payments (1) • financing government borrowing (1) commercial banks may also lend money to the government / buy bonds from government (1) • lending to the private sector (1) enables investment (1) facilitating economic growth (1) may increase employment (1) • may help to maintain financial stability (1) by helping other commercial banks in trouble (1) • they influence the money supply (1) by lending / creating credit (1).	**4**	Accept the role of commercial banks in helping implement monetary policy (1) they are likely to change their interest rates in line with that of the central bank (1).

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
2(c)	**Analyse how building roads can help a government achieve its macroeconomic aims.** Coherent analysis which might include: Building roads may involve government spending (1) creates jobs / requires labour (1) such as road builders (1) reducing unemployment (1) increase income (1) increase consumption (1) support other industries (1) such as raw material suppliers / private contractors (1) which increases total demand in the economy (1). Building roads may lead to reduced transport costs / cheaper transport (1) due to greater efficiency / productivity / time saving (1) reducing overall costs of production (1) increasing investment / attracting MNCs (1) causing economic growth (1) increased exports (1) improving the current account balance (1) reducing cost-push inflation (1). Building roads could lead to better quality transportation / easier access to places of work (1) reducing unemployment (1) may reduce poverty (1).	**6**	

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not multinational corporations (MNCs) benefit host countries.

In assessing each answer, use the table opposite.

Why MNCs might benefit host countries:
• bring in new capital and technology
• bring in investment
• create jobs
• may provide high quality training
• pay taxes
• may increase competition
• may buy raw materials from the country

Why MNCs might not benefit host countries:
• may exploit domestic labour by poor work conditions
• may take profits out of the country and not reinvest domestically
• may avoid taxes
• may dominate domestic market and drive local firms out of the market
• are footloose and may leave anytime – more instability
• may deplete natural resources
• may damage the environment</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td></td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
3(a)	**Define *public sector*.** Sector which is owned / managed / economic decisions made (1) by the government (1).	**2**	
3(b)	**Explain two types of mergers.** Logical explanation which might include: • Horizontal merger (1) where two or more firms in the same industry at the same stage of production merge / relevant example (1). • Vertical merger (1) where two or more firms in the same industry but different stage of production merge / relevant example (1). • Conglomerate (1) where two or more firms in different industries merge / relevant example (1).	**4**	Accept, but do not expect, explanation of lateral mergers. Allow vertical backwards and vertical forwards as two different types of merger.

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
3(c)	**Analyse how differences in healthcare can lead to differences in economic development between countries.** Coherent analysis which might include: If healthcare is better in one country than another, workers will be healthier / take less time off sick (1) the productivity of labour may be higher (1) leading to higher incomes of workers (1) improved standard of living (for workers) (1) longer life expectancy / lower death rate (1) higher HDI (1). Firms may gain higher profits (1) due to lower average cost / higher revenue (1) higher quality output (1) productivity capacity of the economy will increase (1) leading to economic growth (1) exports may increase due to higher competitiveness (1) investment may increase (1) creating more jobs (1) reducing unemployment (1) increasing incomes and reducing (child) poverty (1) may increase spending on education (1).	**6**	The question can be analysed from either poorer or better healthcare provision in one country compared with another but the same point should not be rewarded twice.

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not competitive markets are beneficial for consumers.

In assessing each answer, use the table opposite.

Why it might:
• more firms in the market leads to lower price
• higher quality
• more choice
• firms may be smaller and so may not experience diseconomies of scale
• more innovation in terms of production methods and products

Why it might not:
• lower profits for firms – less innovation and quality improvement
• too many choices – takes up consumer time and effort
• firms may spend on advertising, increasing their costs and prices
• lower quality due to race to the bottom
• firms may be smaller and may not experience economies of scale
• competition may lead to resource depletion / negative externalities</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td></td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
4(a)	**Define *total cost*.** Total cost is addition of all costs / overall costs (1) fixed cost (1) plus variable cost (1).	**2**	
4(b)	**Explain <u>two</u> causes of an increase in the supply of a product.** Logical explanation which might include: • lower costs (1) e.g. cost of raw materials / greater potential profitability (1) • increased productivity (1) e.g. due to better technology (1) • reduced regulations (1) easier / cheaper to produce more (1) • reduced taxes (1) reducing cost of production (1) • increased subsidies (1) enabling producers to be able to produce more with the same amount of financial capital / money / cover some costs / provide additional revenue (1) • better weather / more suitable season (1) increasing crop yield / less destruction or damage to crops(1) • increases in stocks / inventories (1).	**4**	One mark each for each of two reasons identified and one mark each for each of two explanations. If more than two causes given, consider the first three.

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
4(c)	**Analyse factors that can increase the willingness and ability of consumers to buy a certain product.** Coherent analysis which might include: • decrease in the price of the product itself / subsidy (1) makes the product more affordable (1) increasing demand (1) • increase in the price of substitutes (1) which are goods that provide the similar levels of satisfaction / example of substitutes (1)-increasing demand (1) • decrease in the price of complements (1) goods that are in joint demand / example of complements (1) increasing demand (1) • increase in expected price in future (1) consumers willing to buy more now when prices are lower (1) instead of the future when prices go up (1) • increase in incomes (1) consumers more able to buy the product now (1) since affordability / purchasing power increase (1) • change in trends / popularity (1) some products become more fashionable / more popular (1) • increase in quality (1) making the product more desirable (1) • increase in or more effective advertising / marketing (1) informing consumers about the product (1) persuading consumers to buy the product (1) • increased peer pressure to buy the product (1) e.g. conspicuous consumption / to keep in with friends (1) • government health campaigns (1) encouraging consumption of merit goods (1) • change in seasons / weather (1) some products become more needed / desired at certain times (1) relevant example (1).	**6**	Maximum of two marks for just listing different reasons for increase in willingness and ability of consumers to buy a certain product. Reward increase in demand only once and reward decrease in demand only once.

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Discuss whether or not economic growth will improve living standards in a city.

In assessing each answer, use the table opposite.

Why it might:
• increase job opportunities in the city – increase income
• increase government revenue – more public and merit goods for the city
• increase amount of investment in the city – more choice of goods and services

Why it might not:
• increase negative externalities such as pollution and congestion
• overcrowding as more people attracted to come to cities
• increase inequality
• may produce inflationary pressures – reducing affordability</td><td>8</td><td>Maximum of four marks if no reference to a city.

<table><tr><th>Level</th><th>Description</th><th>Marks</th></tr><tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr><tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr></table></td></tr>
</table>

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td></td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
5(a)	**Define the basic economic problem.** The basic economic problem is the scarcity (1) of resources / factors of production (1) compared to unlimited wants of humans (1) .	**2**	
5(b)	**Explain how a market allocates resources.** Logical explanation which might include: A market is made up of buyers (1) and sellers (1) who trade products (1) through the interaction of demand (1) and supply (1) creating market equilibrium (1) Price signals / price mechanism indicate to sellers how to allocate their resources (1) profit provides the incentive for sellers to respond to changes in demand (1). If demand for the product increases, price will rise (1) more resources will be devoted to its production (1). If demand for the product decreases, price will fall (1) fewer resources will be devoted to its production (1).	**4**	One mark for more resources devoted to products in high demand / fewer resources devoted to products in low demand.

© Cambridge University Press & Assessment 2025

Question	Answer	Mark	Guidance
5(c)	**Analyse the benefits a country may gain from exporting to and importing from other countries.** Allows countries to specialise (1) in what they are best at producing (1) develop skills (1) increase efficiency (1) Exports create demand for the output of domestic producers (1) causing economic growth in that country (1) creating employment (1) Exports create larger markets (1) able to take advantage of economies of scale (1) produce at a lower average cost (1). Incomes in other countries maybe higher (1) allowing more income to be earned by exporting (1) Exports are a component of total (aggregate) demand (1) so increased exports will lead to higher output / cause economic growth (1). Imports allow consumers to enjoy more goods and services (1) greater choice / variety (1) at low prices (1) increase living standards (1). Imports provide greater competition (1) which can increase quality (1). Imports allow countries to obtain goods / raw materials they cannot produce (1) at a lower price (1) reducing costs of production (1) obtain tariff revenue (1). Spread of ideas / technology (1) increasing productivity (1).	**6**	Reward but do not expect reference to comparative or absolute advantage.

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td>Discuss whether or not an increase in government spending will benefit an economy.

In assessing each answer, use the table opposite.

Why it might:
• increase total demand
• some forms of government spending e.g. education / healthcare may increase productivity
• reduce unemployment
• increase economic growth
• reduce inequality
• increase access to merit goods
• provide public goods

Why it might not:
• increased inflation
• increase a current account deficit if spent on e.g. imported capital goods
• increased taxation to pay for increased spending
• increase government debt
• government spending may be inefficient – the private sector may be more efficient</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sided of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
</table>
</td></tr>
</table>

© Cambridge University Press & Assessment 2025