CAMBRIDGE
International Education

Cambridge O Level

ECONOMICS **2281/22**

Paper 2 Structured Questions **October/November 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 October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **26** printed pages.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

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

https://xtremepape.rs/

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

https://xtremepape.rs/

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

https://xtremepape.rs/

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

https://xtremepape.rs/

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
	Level 1

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Annotation	Meaning
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)**.

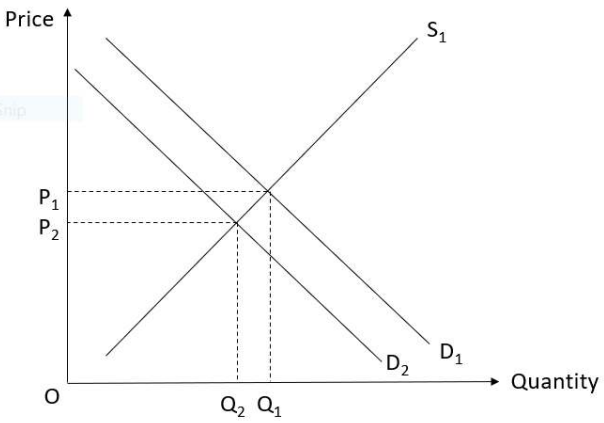
© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
1(a)	**Calculate foreign workers as a percentage of Japan's labour force in 2022.** 2.5% (1).	**1**	Accept 2.5 without %.
1(b)	**Identify <u>two</u> reasons why Japan has a high average age of population**. Low birth rate (1) high life expectancy (1) good healthcare (1) young adults moving abroad (1).	**2**	If more than two reasons are given, consider the first three.
1(c)	**Explain why some young Japanese people emigrate.** To gain high wages (1) enjoy a better living standard / able to purchase more goods and services (1).	**2**	One mark for identification and one mark for explanation.
1(d)	**Explain <u>two</u> ways Japan could attract more foreign workers.** Logical explanation which might include: • remove the Japanese language test (1) more foreigners would be able to work in the country (1) • allow foreign workers to bring their families with them (1) foreign workers are more likely to settle in the country if they are not separated from their families (1) • allow unskilled workers to stay for more than five years (1) if gain high wages / enjoy living in the country would not want to leave / attract workers who want to live permanently in the country / give workers the opportunity to stay permanently / increase international mobility of labour (1).	**4**	One mark each for two ways identified and one mark each for two explanations. If more than two ways are given, consider the first three. Only the 3 listed identifications can be credited, and explanation marks can only be awarded if applied to a valid identification.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
1(e)	**Draw a demand and supply diagram to show the effect of a decrease in population on the market for furniture.** Coherent analysis which might include the following. 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). OR New supply curve shifted to the left (1). OR New demand curve shifted to the left AND new supply curve shifted to the left. 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**	

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between global GDP per head and global air passenger numbers.** Coherent analysis which might include the following. Expected relationship: Generally, a positive relationship (1) the higher the global GDP head, the higher the air passenger numbers (1). Supporting evidence: 2016–2019 GDP per head rose and air passenger numbers increased (1). Analysis of expected relationship: Higher GDP per head increases purchasing power / ability to pay for air travel (1) as people get richer, they travel more for leisure and business (1). Exception: 2021 (1) GDP per head rose but air passenger numbers decreased (1). Analysis of exception: May have been a time delay in people gaining confidence in flying after COVID-19 pandemic / other influences on demand e.g. air fares (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. Supporting evidence should involve interpretation, not just description.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not a high savings rate is likely to benefit Japan.

Award up to 4 marks for logical reasons why it might, which may include:

• may keep inflation low (1) as spending will not be high (1) reduce (total) demand (1) reduce demand-pull inflation (1)
• may reduce imports (1) improve the current account of the balance of payments (1)
• provide finance for investment (1) firms able to borrow from banks (1)
• may enable households to finance future expenditure (1) on e.g. healthcare / education / provide for retirement / provide support for individuals in difficult times (1)
• may enable government to cut benefits, e.g. pensions (1) spend money saved on other priorities, e.g. healthcare (1).

Award up to 4 marks for logical reasons why it might not, which may include:

• may lower total demand (1) reduce GDP (1) increase unemployment (1) cyclical unemployment (1) could cause a recession (1)
• may reduce investment as demand is low (1) reduce improvements in technology (1)
• Less indirect tax raised (1) may lead to reduced government spending (1).</td><td>6</td><td>Reference to AD / total demand falling can be credited on either side of the argument, but only once.

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

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

https://xtremepape.rs/

Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not labour mobility in Japan is likely to increase in the future.** Award up to 4 marks for logical reasons why it might, which may include: • Improvements in education and training (1) could increase skills / qualifications (1) increase occupational mobility (1) • Improvements in transport / subsidised travel (1) could enable people to move to different areas (1) raise geographical mobility (1). Award up to 4 marks for logical reasons why it might not, which may include: • Ageing population (1) may have out-of-date skills (1) more difficult to change jobs (1) reduce occupational mobility (1) may be more reluctant to move to a different area (1) reason (1) reduce geographical mobility (1) • House prices may rise (1) making it difficult to move from areas with low house prices to areas with high prices (1).	**6**	Reference to occupational and geographical mobility can be credited on either side of the argument, but only once. Reference to falling house prices or improved transport must be linked to improved mobility for credit and vice versa.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
2(a)	**Define *market equilibrium.*** Demand equalling supply (2). No shortage (1) no surplus (1). Balance of demand and supply (2).	**2**	
2(b)	**Explain <u>two</u> ways an economy could reach a point outside its current PPC.** Logical explanation which might include the following. • Increase investment (1) devoting more resources to capital goods (1). • Encourage immigration (1) increase size of the labour force (1). • Land reclamation (1) creating more land on which to e.g. grow crops (1). • Increase in education and training (1) raise quality / efficiency / productivity of labour (1). • Increase spending on research and development / new technology (1) increase quality / efficiency / productivity of capital (1). • Discovery of sources of resources (1) example/enables extra output to be produced (1).	**4**	One mark each for two ways identified and one mark each for two explanations. If more than two reasons are given, consider the first three.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
2(c)	**Analyse how price elasticity of demand can influence a firm's pricing decisions.** Coherent analysis which might include the following. Price elasticity of demand is a measure of the responsiveness of demand to a change in price (1). If demand is elastic, a rise in price will cause a greater percentage change in demand (1) may indicate the firm's product has close substitutes / is not a necessity / takes a significant proportion of consumers' incomes (1) may encourage firms to lower price (1) raise revenue (1). If demand is inelastic, a rise in price will cause a smaller percentage change in demand (1) may indicate the firm's product has few substitutes / is a necessity / takes a small proportion of consumers' incomes (1) may encourage firms to raise prices (1) revenue would increase (1).	**6**	Reward, but do not expect: Facilitate price discrimination (1) charging higher prices in markets with inelastic demand (1) valid example, e.g. higher rail fares at peak times (1).

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td>Discuss whether or not firms benefit from their workers undertaking training.

In assessing each answer, use the table opposite.

Why they might:
• may increase productivity
• may enable workers to work with more advanced technology
• may lower costs of production
• may be able to fill promoted posts
• reduce waste
• raise quality of output
• training may be provided by the government at no direct cost for firms.
• increase workers motivation, reducing labour turnover
• increase flexibility to cover absences.

Why they might not:
• if the firms provide the training, increase costs / opportunity cost
• output may fall while workers are being trained
• training may not be successful
• trained workers may demand higher wages
• trained workers may leave to work for other firms – other firms will gain the benefits of the training.</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

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(d)</td><td></td><td></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

https://xtremepape.rs/

Question	Answer	Marks	Guidance
3(a)	**Define *average total cost.*** Total cost divided by output (2). Cost per unit (1).	**2**	
3(b)	**Explain how using renewable raw materials may affect a firm's profits.** Logical explanation which might include the following. • Using renewable resources may be more expensive (1) increase costs of production (1) reduce profits (1). • Can advertise that renewable resources which create less pollution / improve environmental sustainability are being used (1) increase image of the firm (1) raise demand (1) increase profits (1). • Using renewable resources may be subsidised (1). May become cheaper to use renewable resources in the long run (1). • Resources will not be depleted / firms have a constant supply of raw materials (1) raise profits (1).	**4**	A simple statement that profits rise or fall with **no** relevant explanation is 0 marks. Profits rising and profits falling can both be credited if each is explained.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
3(c)	**Analyse the internal economies of scale that a cosmetics firm could experience**. Coherent analysis which might include the following. • Buying / purchasing economies (1) buy ingredients in bulk at a discount (1). • Labour economies (1) workers specialising e.g. designing the packaging (1). • Managerial economies (1) e.g. specialist human resource manager (1). • Technical economies (1) advanced technology could be used to produce perfume (1). • Financial economies (1) the firm finding it cheaper / easier to borrow from banks (1). • Research and development economies (1) develop new perfumes (1). • Selling / marketing economies (1) lower average advertising costs (1). • Risk-bearing economies (1) selling perfume in more markets (1).	**6**	Maximum of 3 marks for a list of different types of internal economies of scale with no development / explanation.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td>Discuss whether or not perfume should be taxed at a higher rate than food.

In assessing each answer, use the table opposite.

Why it should:
• perfume is a luxury whereas food is a necessity
• rich spend more on perfume than the poor
• taxing food more may increase poverty as poor spend a high proportion of their income on food
• perfume is less likely than food to be a merit good
• a higher price for perfume will not significantly contribute to inflation, not a significant item in CPI
• perfume may be imported while food may be supplied by domestic firms.

Why it should not:
• demand for perfume may be elastic and so may not raise much revenue. In contrast, inelastic demand for food so may raise high tax revenue
• perfume may be an important domestic industry. Higher taxes may result in closure / unemployment
• some food is a demerit good e.g. food with a high sugar content
• taxing demerit food may improve health
• taxing food may reduce obesity.</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

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3(d)</td><td></td><td></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>

Question	Answer	Marks	Guidance
4(a)	**Identify <u>two</u> policy measures a central bank could use to maintain price stability.** Two from: the rate of interest (1) the money supply (1) the exchange rate (1) quantitative easing / tightening (1).	**2**	If more than two measures are given, consider the first three.
4(b)	**Explain <u>two</u> benefits to an economy of full employment.** Logical explanation which might include the following. • High output / GDP (1) maximum use of labour resource. • High tax revenue (1) government could spend on e.g. education / healthcare (1). • Low spending on state benefits (1) can keep taxes low / money saved can be spent on other things (1). • Low poverty / increase incomes (1) enable people to purchase basic necessities / which could increase living standards (1).	**4**	One mark each for two benefits identified and one mark each for two explanations.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks	Guidance
4(c)	**Analyse how an increase in government spending on building houses could reduce unemployment.** Coherent analysis which might include the following. An increase in government spending on building homes may increase demand for building workers (1) may increase demand for building materials (1) demand for building materials workers / other workers related to building industry (1) labour is a derived demand (1) reduce structural unemployment (1) increase incomes (1) increase consumer expenditure (1) increase total demand (1) reduce cyclical unemployment (1) increase GDP / economic growth (1) may increase quality of homes (1) improve health (1) fewer workers may lose their jobs because of illness (1) increase labour productivity which may increase demand for labour (1) increase supply of houses (1) reduce price of houses (1) improve mobility of labour (1).	**6**	Reward, but do not expect reference to multiplier / multiplier effects.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Discuss whether or not an increase in a country's economic growth rate will increase its HDI value.

In assessing each answer, use the table opposite.

Why it might:
• increase in GDP may increase GDP per head if increase in GDP is greater than any rise in population
• higher GDP per head may increase spending on good nutrition / good housing and as a result increase life expectancy
• higher GDP per head may increase tax revenue, enabling a government to spend on education and healthcare
• higher GDP per head may enable families to keep their children in education for longer.

Why it might not:
• higher GDP per head may result in more spending on demerit goods, lowering life expectancy
• may lead to inflation hindering access to healthcare and education and increase inequality in the distribution of income
• may be the result of higher military expenditure which will not increase HDI
• income may become more unevenly distributed, meaning life expectancy and years of education of the poor may fall
• more pollution may be created, lowering life expectancy
• working hours and stress may increase, lowering life expectancy.</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

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td></td><td></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>

Question	Answer	Marks	Guidance
5(a)	**Identify <u>two</u> motives for a firm dumping some of its products in a foreign market.** • Drive domestic firms out of the market / increase market share / gain monopoly power in (overseas) market (1). • Clear away surplus stock (1) keep price high on the domestic market (1) increase exports / sales / revenue (1).	**2**	If more than two motives are given, consider the first three.

https://xtremepape.rs/

Question	Answer	Marks	Guidance
5(b)	**Explain <u>two</u> differences between monetary policy and supply-side policy.** Logical explanation which might include the following. • Monetary policy is usually implemented by the central bank (1) supply-side policy by the government (1). • Monetary policy may be used to increase or reduce economic activity (1) supply-side policy is only used to increase economic activity (1). • They have different policy measures (1) e.g. monetary policy has the rate of interest whereas supply side policy has privatisation (1). • Monetary policy aims to influence total demand (1) supply-side policy aims to increase total supply (1). • Supply side policies tend to take longer to implement and have an impact (1) than monetary policy which tends to have a more short -term impact (1).	**4**	If more than two differences are given, consider the first three.
5(c)	**Analyse how a government subsidy could help to protect an infant industry against foreign competition.** Coherent analysis which might include: An infant industry's costs may initially be high (1) government subsidy is an extra payment to an industry (1) some of the subsidy could be used to buy more capital goods / technological innovation (1) employ skilled workers (1) enable an infant industry to grow in size / increase output (1) obtain economies of scale (1) lower (average) cost / improve productivity (1) lower their prices (1) making their products more (internationally) competitive (1) increase demand for their goods (1) increase exports (1) raise quality (1) increase quality competitiveness (1).	**6**	

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td>Discuss whether or not cuts in taxes will reduce a deficit on the current account of a country's balance of payments.

In assessing each answer, use the table opposite.

Why it might:
• cut in corporation (corporate income) tax may increase willingness and ability to invest
• higher investment may raise quality and reduce costs
• increase exports and lower imports
• cut in personal income tax may increase workers' motivation, raise productivity and cut costs
• lower corporation (corporate income) tax could be imposed on infant industries
• attract MNCs which can increase exports and reduce imports
• cuts in indirect taxes may lead to lower prices which may increase the demand for domestic goods and reduce the demand for imported substitutes
• cuts in tariffs may make it easier for firms to import cheaper raw materials from abroad which may enable them to reduce prices increasing export competitiveness.

Why it might not:
• cut in personal income tax may increase spending which may increase total demand leading to inflation reducing international competitiveness
• more imports may be purchased
• exports may be diverted to the home market
• reduce tax revenue and lower government spending
• lower government spending on education, healthcare, transport could reduce productivity
• lower taxes on imports (tariffs) may increase imports.</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

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td></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

https://xtremepape.rs/