

**MARK SCHEME for the October/November 2007 question paper**

<p><b>0455 ECONOMICS</b></p> <p><b>0455/02</b>      Paper 2 (Core), maximum raw mark 60</p>
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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.

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

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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

CIE is publishing the mark schemes for the October/November 2007 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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- 1 (a) Explanation of land, labour, capital, and enterprise.  
A list of four factors, 2 marks only.  
A list of three factors, 1 mark only.
- (b) More capital and more investment but less labour. [2]
- (c) Explanation of fixed and variable costs. Fixed cost will increase with new technology. Labour may be a fixed or a variable cost but likely delivery staff are thought to be a variable cost. As labour may be replaced by machines, this will decrease. However, if labour is paid more, the overall effect is uncertain. [4]
- (d) Price rises usually cause demand to fall and switch to other substitutes. This may not be thought to be a sufficient increase to cause many to switch to alternative means of communication. Extended candidates could mention price elasticity of demand. [4]
- (e) Only comparison on price is with Italy and Germany.  
No real information about rate of inflation, only a general statement about price comparing well.  
Delivery figures do seem to support the claim that Royal Mail is providing good service (but only comparison is with France).  
Only one delivery a day now, no comparison on that with other countries.  
Statement about investing in training and technology.  
Does say it needs to make profits. Not sure how much will be re-invested.  
The conclusion is uncertain as there is insufficient evidence. [6]  
A maximum of 4 marks for a one-sided answer.
- 2 (a) May employ people from different countries but this is not the definition. Has to operate in different countries. Governments may be involved in multi-national companies but this again is not the definition and most would be privately owned. [4]
- (b) Group of people working together in a similar occupation, promote welfare, safety, negotiate wages. [6]

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- 3 (a)** Explanation of principle. Must mention 'next best' or 'best' for 2 marks. Application of what might be given up – for example, might get higher pay but give up shorter hours, might give up possible alternative job, might give up holidays by switching employer. [1 mark]
- (b)** Could be a range of non-wage factors, could be amount of skill required, may be a manager or a clerical worker, differences in male and female, extent of union activity, supply of and demand for labour can be mentioned. [7]  
Maximum of 5 marks if not related to a service sector occupation.
- 4 (a)** Any three which could be connected with age distribution, birth rate, death rate; occupational distribution; dependency ratios, extent of malnutrition. [3]
- (b)** Comment on validity of using GDP. Difficulties of comparison over time and between countries, problems of informal economy, inflation, income per head, non-economic factors influencing standard of living, exchange rates. [7]
- 5 (a)** Concentration on a particular skill, or in this case a particular product, which it is thought the country is better suited to providing. [4]
- (b)** Text books will tell you that specialisation will produce greater efficiency. However, this has implications in terms of the human cost of this through loss of income, employment, impoverishment of regions and general disaffection of those who are not involved in the specialised areas. [6]