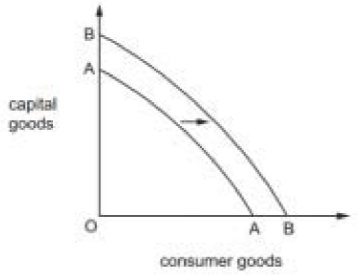
# SMART EXAM RESOURCES
# 0455/0987(9-1) IGCSE ECONOMICS
# PAPER-2- MARKSCHEME

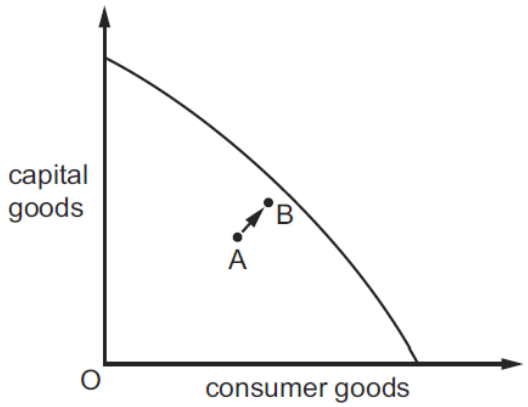
smart edu hub

## MARKSCHEME: 1

| | | | |
|---|---|---|---|
| | **Analyse, using a production possibility curve diagram (PPC), the effect of increased investment in both education and the health sector.**<br><br>Up to 4 marks for the diagram:<br>Axes correctly labelled with different goods or services (1).<br><br>Initial curve drawn as a curve / line sloping downward to the axes (1).<br><br>New curve drawn to the right as a curve / line sloping downward to the axes (1).<br><br>Shift indicated by arrow or letters (1).<br><br>Up to 2 marks for written comments:<br>Increased investments in education and healthcare leads to better health/qualification / higher quality resources (1) better technology (1) increased productivity (1) better quality workforce/skills/qualification (1) may be more resources (1) increase productive capacity / the maximum quantity of products that can be produced within a certain time period / create economic growth (1). | **6** |  <br>Accept education on one axis and health on the other.<br><br>Accept any other two relevant categories e.g. manufactured and agricultural goods.<br><br>Accept a pivot out if education and health is on one axis and other goods on the other. |

# MARKSCHEME: 2

**Using a production possibility curve diagram, analyse the effect of a decrease in unemployment on an economy's output. [6]**




*Up to 4 marks for the diagram:*

- axis correctly labelled in terms of two different products or types of products (1)
- the curve or downward sloping line drawn to axes (1)
- a production point inside the PPC (1)
- a production point on or moving closer to the frontier (1).

*Up to 3 marks for written comments:*

- unemployed resources mean an economy is producing inside the PPC (1)
- a decrease in unemployment means more resources are being used (1)
- greater use of resources increases output (1).

# MARKSCHEME: 3

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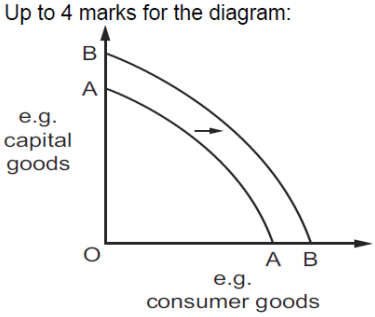
| | **Analyse, using a production possibility curve diagram, how an increase in labour productivity will affect an economy.**<br><br>Up to 4 marks for the diagram:<br>  <br><br>Axes correctly labelled (1).<br><br>Original production possibility curve / straight downward sloping line drawn to the axes (1).<br><br>New PPC (1).<br><br>Indication of shift to the right – arrow or labelling (1).<br><br>Up to 2 marks for written explanation:<br><br>An increase in labour productivity increases the quality of labour (1) increases output per worker hour / efficiency (1) increases productive potential / cause economic growth (1). | **6** | |

# MARKSCHEME: 4

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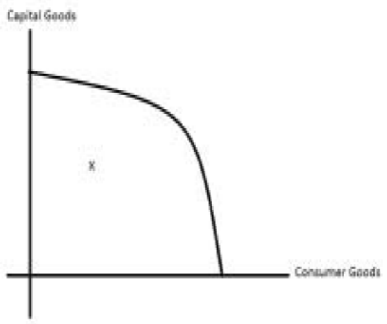
| | **Analyse, using a production possibility curve (PPC) diagram, the effects of high unemployment in a country.**<br><br>Diagram up to 3 marks:<br>- axes labelled Capital Goods & Consumer Goods (also accept any other combination as long as it is clear that it is two separate products, and not Price and Quantity)<br>- a curve bowed outwards or a downward sloping straight line drawn to the axes<br>- point inside the curve identified as point of unemployment e.g. X<br><br>Written analysis up to 3 marks:<br>- high unemployment means that the available resources are not fully (1) and efficiently used (1)<br>- the economy will not be able to produce at its maximum level (1) i.e. on the PPC (1) output of the economy is smaller than the maximum (1) lower than potential living standards (1)<br>- May be negative or lower economic growth / recession (1) | **6** |  |

# MARKSCHEME: 5

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| | **Analyse how an increase in investment could influence inflation.**<br><br>Higher investment will mean higher spending on capital goods (1) it could increase total (aggregate) demand (1) this could increase demand-pull inflation (1) if total (aggregate) demand exceeds total (aggregate) supply (1).<br>May increase demand for imported capital goods / raw materials (1) causing imported / cost-push inflation (1).<br>Higher total (aggregate) demand could increase employment / decrease unemployment (1) which could increase total (aggregate) demand further (1).<br>In short run may raise costs of production (purchase of machines) (1) causing cost-push inflation (1).<br>In the long run it could increase output (1) may introduce advances in technology (1) increase efficiency / productivity (1) it could reduce costs of production (1) reducing cost-push inflation (1).<br>Investment in human capital (1) raising workers' skills (1). | **6** | |