Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **May/June 2021**

MARK SCHEME

Maximum Mark: 40

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.

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Cambridge International is publishing the mark schemes for the May/June 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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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 descriptors 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.

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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.

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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).

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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.

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Question	Answer	Marks	Guidance
1(a)(i)	**Describe the overall trend in Vietnam's current account balance between Q1 2017 and Q2 2018.** A deficit at the beginning of the period, followed by surpluses OR Generally increasing/improving balance over the period (one exception) (1 mark)	**1**	
1(a)(ii)	**Calculate the value of Vietnam's exports of fruit and vegetables to China in the first four months of 2018.** US$1 billion (US$1.001 billion) (1 mark)	**1**	(Line one gives the total as US$1.3bn and the fourth paragraph says that China accounts for 77% of this.) Candidates do need to refer to billion, but not necessarily to US$
1(b)	**Explain one possible demand factor and one possible supply factor that could have caused the increase in Vietnam's export sales of fruit and vegetables.** For an explanation of one possible demand reason (Up to 2 marks) (1 mark for identification, 1 mark for further development) For an explanation of a one possible supply reason (Up to 2 marks) (1 mark for identification, 1 mark for further development)	**4**	Demand factors could include: • increase in income • more effective advertising • population growth • tastes have changed in favour of the products, e.g. healthy living Supply factors could include: • use of more land • more favourable weather conditions • reduction in costs of production • improved technology

Question	Answer	Marks	Guidance
1(c)	**Explain how complying with administrative burdens on trade will affect Vietnam's supply of fruit and vegetables for export.** Higher costs of production will shift supply to the left and decrease the amount available to export. (Up to 2 marks)	**2**	Possible effects could include: • fruit and vegetable exporters could face additional costs in satisfying administrative burdens on trade • these could include strict hygiene and food safety regulations • this could bring about an increase in the price of the products • regulations could, however, lead to a higher quality of products being supplied
1(d)	**Discuss whether the risks of Vietnam relying very heavily on the Chinese market for the export of its fruit and vegetables are greater than the potential benefits.** For an explanation of the potential risks. (Up to 3 marks) For an explanation of the potential benefits. (Up to 3 marks) **Reserve 1 mark for a conclusion**	**6**	Potential risks of the Chinese market: • high proportion of trade in fruit and vegetables with China may mean that Vietnam is neglecting other potential trading contacts • very large gap from China (77%) to second country (US with 2.84%) and third country (Japan with 2.70%) • external shocks, or changes in the Chinese economy, such as a recession, would have a large impact on Vietnam's fruit and vegetables industry Potential benefits of the Chinese market: • with 77% of the trade in fruit and vegetables with China, close trading contacts would have been established • security of trade in fruit and vegetables resulting from these trading contacts • with established customers, discounts could be negotiated to secure future trade

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Question	Answer	Marks	Guidance
1(e)	**Using aggregate demand and aggregate supply analysis, discuss the possible impact on Vietnam's economy of a sustained increase in its net exports.** For an explanation of the potential advantages of a sustained increase in net exports using AD/AS analysis. (Up to 3 marks) For an explanation of the potential disadvantages of a sustained increase in net exports using AD/AS analysis. (Up to 3 marks) **Reserve 1 mark for a conclusion**	**6**	Potential advantages: • increase in exports would contribute positively to Vietnam's current account balance • increase in aggregate demand • increase in incomes and employment Potential disadvantages: • increase in exports could mean less is available for the domestic market • could impact on the rate of domestic inflation

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Question	Answer	Marks	Guidance
2(a)	**Explain whether private goods, free goods and public goods will all be sold in a free market economy.** **For Knowledge and Understanding** For knowledge and understanding of private goods, free goods and public goods. Up to 2 marks) For knowledge and understanding of just two types of good. (Up to 1 mark) **2 marks maximum** **For Application** Explanation of the market mechanism in relation to the three types of good Up to 2 marks for an explanation of each type of good) **6 marks maximum**	**8**	Free goods are not sold in a free market economy: • are not scarce and so do not have a market price attached to them • the supply equals the demand at zero price • have no property rights associated with them • require no factors of production for their enjoyment Private goods are sold in a free market economy: • economic goods that are consumed by an individual for their own benefit • there is rivalry in consumption, i.e. when a product is consumed by one person, it cannot be consumed by another • there is excludability in consumption, i.e. when a product is consumed by one person, all others are excluded from it Public goods are not sold in a free market economy: • are non-rival • are non-excludable • are non-rejectable

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Question	Answer	Marks	Guidance
2(a)			Examples of free goods: air, sunshine Examples of private goods: most products in an economy, such as food and clothing; can include examples of merit goods/demerit goods Examples of public goods: street lighting, defence and police
2(b)	**Discuss whether the direct provision of goods and services by the government prevents the price mechanism from working effectively.** **For Analysis** Analysis of the prevention of the price mechanism from working effectively. (Up to 4 marks) Analysis of the potential fact that it does not prevent the price mechanism from working effectively. (Up to 4 marks) **8 marks maximum** **For Evaluation** For exercising some judgement on whether the direct provision of goods and services by the government prevents the price mechanism from working effectively. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	The effect of direct provision of goods and services by the government: • does it prevent the price mechanism from rationing? • does it prevent the price mechanism from signalling? • does it prevent the price mechanism from transmitting preferences? The direct provision of goods and services by the government will be financed through the tax system, e.g. education and health care, and so will not be allocated through a price mechanism. However, education and health care can also be provided through a price mechanism and in this situation the mechanism can function as a rationing and signalling device and as a way of transmitting preferences

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Question	Answer	Marks	Guidance
3(a)	**With the aid of diagrams, explain how consumer surplus is affected by a decrease in the price of a luxury product with many substitutes, and of an essential product with few substitutes.** **For Knowledge and Understanding** For correct diagram: Axes correctly labelled: P/Q (1 mark) Existence of consumer surplus (1 mark) **2 marks maximum** **For Application** How consumer surplus is affected by a decrease in the price of a luxury product with many substitutes: elastic PED. (Up to 3 marks) How consumer surplus is affected by a decrease in the price of an essential product with few substitutes: inelastic PED' (Up to 3 marks) **6 marks maximum**	**8**	A decrease in the price of a product will increase the consumer surplus as more consumers are willing to pay the lower price. The extent of this will depend on the price elasticity of demand for a product. In the case of a luxury product with many substitutes, PED will be elastic. In the case of an essential product with few substitutes, PED will be inelastic.

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Question	Answer	Marks	Guidance
3(b)	**Discuss the extent to which knowledge of the income elasticity of demand for its product is likely to be more useful to a business than knowledge of the cross elasticity of demand for its product** **For Analysis** Analysis of the usefulness of income elasticity of demand to a business, with the use of appropriate scenarios. (Up to 4 marks) Analysis of the usefulness of cross elasticity of demand to a business, with the use of appropriate scenarios. (Up to 4 marks) **8 marks maximum** **For Evaluation** For exercising some judgement on whether knowledge of the income elasticity of demand for its product is likely to be more useful to a business than knowledge of the cross elasticity of demand for its product with regard to changes in the price of the products of other businesses. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	Income elasticity of demand can be useful to a business in relation to: • normal goods (positive YED) • inferior goods (negative YED) • economic development of a country • boom or recession: effect on business planning Cross elasticity of demand can be useful to a business in relation to: • substitutes/alternative demand (positive XED) • complements/joint demand (negative XED)

Question	Answer	Marks	Guidance
4(a)	**With the aid of a diagram(s), explain one demand factor and one supply factor that would cause the value of a currency in a floating exchange rate system to depreciate.** **For Knowledge and Understanding** For correct diagram: Axes correctly labelled: P/Q of currency. (1 mark) (The vertical axis needs to make it clear that it is an exchange rate) Market equilibrium shown. (1 mark) **2 marks maximum** **For Application** Explanation of one reason for a fall in demand (Up to 3 marks) (1 mark for identification of a relevant factor; up to 2 marks for a detailed explanation) Explanation of one reason for an increase in supply (Up to 3 marks) (1 mark for identification of a relevant factor; up to 2 marks for a detailed explanation) **6 marks maximum**	**8**	A fall in demand for a currency could be caused by a: • the goods and services of a country are demanded less • a country's interest rate is decreased An increase in the supply of a currency could be caused by: • an increase in interest rates in other countries • imported products are demanded more Note: the question specifically refers to the depreciation of an exchange rate

Question	Answer	Marks	Guidance
4(b)	**Discuss how likely it is that monetary policy would be successful in reducing inflation in an economy with a floating exchange rate.** **For analysis** Analysis of the likely success of monetary policy in reducing inflation in an economy with a floating exchange rate (Up to 4 marks) Analysis of the likely difficulties of monetary policy in reducing inflation in an economy with a floating exchange rate. (Up to 4 marks) **8 marks maximum** **For evaluation** For exercising some judgement on how likely it is that monetary policy would be successful in reducing inflation in an economy with a floating exchange rate. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	Monetary policy can be used to correct inflation in an economy by: • an increase in interest rates • a reduction in the money supply Cost-push inflation: an appreciation of a currency would lower import prices of finished products and raw materials/component parts Demand-pull inflation: an increase in interest rates and/or a decrease in the money supply would reduce aggregate demand and appreciate the currency Evaluation: appropriate reference to elasticities, the J-curve effect and the Marshall-Lerner condition

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Question	Answer	Marks	Guidance
1(a)	**Compare the change in the price level in Myanmar with that in Cambodia between 2016 and 2018.** Both price levels rose/both countries had inflation **(1 mark)** The price level rose by more in Myanmar / less in Cambodia / the rate of increase was increasing in Myanmar and declining in Cambodia / prices were increasing at a faster rate in Myanmar than in Cambodia/the change in the price level was more volatile in Myanmar **(1 mark)**	**2**	Do not credit answers that merely trawl through the data with no meaningful comparison If the candidate suggests that prices fell in Cambodia, 0 marks
1(b)	**Compare the current account balance of Myanmar with that of Cambodia in 2018.** Both are in deficit **(1 mark)** The deficit is a greater / more significant **% of national income** in Cambodia than in Myanmar **(1 mark)**	**2**	If the candidate states that the deficit is higher in Cambodia then this must not be credited. Do not allow a reference to the current account being negative/better/worse. For the second mark, the candidate must refer to % of national income as specified in the data i.e. Table 1.2

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Question	Answer	Marks	Guidance
1(c)	**Explain any two policies that could improve the competitiveness of rice from Myanmar and Cambodia in the EU market.** For the identification of a valid policy **(1 mark)** and for explanation of how the policy could improve the competitiveness of rice **(1 mark)** e.g. government subsidies to rice producers **(1 mark)** should lead to lower prices for rice and therefore make rice more price competitive **(1 mark)** Government incentives for rice producers to carry out R and D **(1 mark**) may improve the quality of rice and its competitiveness **(1 mark)** **Two policies required (2 × 2 marks)**	**4**	A number of policies are acceptable. These include government subsidisation mentioned in the text: • export subsidies • devaluation of the currency to reduce export prices etc. Do not reward references to depreciation unless it is made clear that this is a 'managed' depreciation. Policies can also be designed to improve quality, productivity, etc. The policies must relate to government action and not action by individual firms (note – the gov action could be from either Myanmar/Cambodia OR from the EU.)

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Question	Answer	Marks	Guidance
1(d)	**Discuss two factors that will determine the extent of the impact the EU tariffs will have on the economies of Myanmar and Cambodia.** For each relevant factor identified **(1 mark)** explained **(1 mark) a**nd developed to show the impact on the economies of Myanmar and Cambodia **(1 mark)** e.g. The ped of rice (from Myanmar and Cambodia in the EU) (**1 mark**). If the demand is price inelastic this means that the rise in price will lead to a less than proportionate fall in QD (**1 mark**). Therefore, the exports of Myanmar and Cambodia may not significantly reduce **(1 mark)** **Two factors required (2 × 3 marks)**	**6**	General factors are required that apply to both countries. These include the price elasticity of demand for rice from these countries in the EU, the cross elasticity of demand between rice from Myanmar and Cambodia and rice from the EU, the extent to which they can find other markets, how the governments of these countries respond e.g. by providing subsidies/devaluing their currencies etc. The impact on the economy may be on balance of payments, employment, growth etc and needs to be clear. Reference to the fact that the tariffs will be substantial as quoted in the text, should be credited.
1(e)	**Discuss the view that the EU should give tariff-free access to the EU market for all producers of rice.** For analysis of the reason(s) why free trade is justified **(up to 2 marks)** For analysis of the reason(s) why the market should be protected **(up to 2 marks)** For evaluation that considers both sides of the argument and which is clearly related to the EU market for rice **(up to 2 marks)**	**6**	This is effectively a question on free trade or protection. Good answers will need to recognise the context of the case study. For example, if they suggest that the European rice farmers are an example of an inefficient ‘sunset industry’ they need to question whether these should be protected. If the market discussed is clearly a market other than rice then do not reward.

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Question	Answer	Marks	Guidance
2(a)	**In 2018 the UK government, concerned about the rise in obesity, particularly amongst young people, imposed a tax on producers of sugar-sweetened drinks.** **State what is meant by a demerit good, and with the help of a diagram(s) explain how a tax on producers can improve the allocation of resources in the market for sugar-sweetened drinks.** For *knowledge and understanding* of a demerit good which explains that the term refers to a good that has the cost of consumption underestimated/worse for the consumer than they realise/because of information failure (**1 mark**) and is overconsumed **(1 mark)** **Application** that uses a correctly labelled diagram to **explain** the impact of an indirect tax on price and quantity**.** Diagram showing a left shift in the S curve **(1 mark)** the fall in quantity consumed **(1 mark)** and the increase in price **(1 mark)** **(up to 3 marks)** An **explanation** that the tax is increasing the cost of production for producers (**1 mark**), which increases the price and reduces the consumption (**1 mark**) which removes the market failure/problem of information failure/improves the allocation of resources (**1 mark**) **(up to 3 marks)**	**8**	The answer provided must show knowledge and understanding that a demerit good is one that is worse for the consumer than they realise because of information failure. The diagram(s) should show that demerit goods are under-priced and over consumed and also how a tax can improve allocation.

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Question	Answer	Marks	Guidance
2(b)	**Compare the likely effectiveness of a policy of imposing minimum prices on demerit goods with one other policy to improve public health and consider which policy is more likely to be successful.** For **analysis** that explains the likely effectiveness of a minimum price on a demerit good. **Maximum of 3 marks if only benefits or drawbacks are considered (up to 4 marks)** For **analysis** that explains the likely effectiveness of **one** other policy**. Maximum of 3 marks if only benefits or drawbacks are considered (up to 4 marks)** And for **evaluation** that clearly compares the effectiveness of both policies **(3 marks)** that leads to a reasoned conclusion as to which policy is more likely to be successful **(1 mark)**	**12**	The effectiveness of a minimum price is dependent upon the ability to control prices and the likelihood that unauthorised / illegal / underground / informal / hidden markets might arise. Other policies include indirect taxes, education campaigns, subsidisation of alternatives. No credit for simply referring to part (a)
3(a)	**Explain how the concept of cross-elasticity of demand can be used to distinguish between goods that are substitutes, those that are complements and those that have no relationship.** For *knowledge and understanding* of the concept of cross elasticity of demand. What it measures **(1 mark)** and the formula **(1 mark)** And **application** explaining that a positive value indicates a substitute **(1 mark)** and explains why **(1 mark)** And explains that a negative value indicates a complement **(1 mark)** and why **(1 mark)** And explains that a value of zero indicates unrelated goods **(1 mark)** and why **(1 mark)**	**8**	For knowledge and understanding, the candidate must display an awareness of the idea of 'responsiveness' as well as an accurate formula

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Question	Answer	Marks	Guidance
3(b)	**An economy is experiencing a fall in average incomes during a severe recession.** **Discuss the extent to which the concepts of income elasticity of demand and price elasticity of demand might be useful to an entrepreneur in this economy and consider which would be more useful.** For **analysis** that explains the usefulness of income elasticity of demand to an entrepreneur when incomes are falling. **(Up to 4 marks)** For **analysis** that explains the usefulness of price elasticity of demand to an entrepreneur when incomes are falling **(Up to 4 marks)** And for **evaluation** that clearly compares the usefulness of each concept **(3 marks)** that leads to a reasoned conclusion as to which is the most useful **(1 mark)**	**12**	Income elasticity of demand would be useful to an entrepreneur because it would indicate those goods that are likely to experience a decrease in demand and those that should experience a rise in demand i.e. normal goods and inferior goods respectively Price elasticity of demand will inform an entrepreneur of the possibility of changing prices to increase revenue. The estimates might be used by an entrepreneur or firms for sales forecasting, investment decisions, production planning, location and new markets. There are no KU marks awarded in part (b) for merely explaining/ defining terms or phrases within the question

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Question	Answer	Marks	Guidance
4(a)	**Explain what is meant by deflation and use aggregate demand and aggregate supply diagrams to explain how it might arise in an economy.** For *knowledge and understanding* of the meaning of deflation. Deflation is a sustained fall **(1 mark)** in the general price level **(1 mark)** **One mark maximum** for stating it is the opposite of inflation/negative inflation (**up to 2 marks max for KU)** And **application** that uses an appropriate and accurate diagram to show how deflation might be caused by a fall in aggregate demand. For an explanation why AD may fall **(1 mark)** a diagram that shows the resulting change in general price level **(1 mark)** and explains how this causes deflation **(1 mark)** **(up to 3 marks)** And **application** that uses an appropriate and accurate diagram to show how deflation might be caused by a rise in aggregate supply. For an explanation as to why AS may increase **(1 mark)** a diagram that shows the resulting change in general price level **(1 mark)** and explains how this causes deflation **(1 mark)** **(up to 3 marks)**	**8**	Do not reward 'micro' diagrams showing S/D, P/Q Reasons why AD may fall include: fall in either C, I, G, X or rise in M. Reasons why AS may rise include: increased investment, falling costs

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Question	Answer	Marks	Guidance
4(b)	**Discuss whether you would advise a government to use monetary policy or fiscal policy to solve the problem of deflation in an economy.** For **analysis** that explains how monetary policy can be used to stimulate aggregate demand with due reference to the strengths and weaknesses of this approach. **Maximum 3 marks if only strengths or weaknesses are explained (up to 4 marks)** For **analysis** that explains how fiscal policy can be used to stimulate aggregate demand with due reference to the strengths and weaknesses of this approach. **Maximum 3 marks if only strengths or weaknesses are explained (up to 4 marks)** And for **evaluation** that clearly compares the use of each policy to solve **the** problem of deflation **(3 marks)** that leads to a reasoned conclusion as to which policy may be the most appropriate **(1 mark)**	**12**	Monetary policy can include exchange rate policy and should be rewarded. The evaluation here should compare the strengths and weaknesses of each approach and arrive at a conclusion based upon this assessment. If a candidate gets MP and FP the wrong way around throughout their response then award a max of [1 + 1] marks for an understanding of both economic policy instruments. A response such as this should be recorded as [1 + 1 + 0] in the text box. There are no KU marks awarded in part (b) for merely explaining / defining terms or phrases within the question

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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 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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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 descriptors 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.

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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.

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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).

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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.

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Question	Answer	Marks	Guidance
1(a)(i)	**Use the information in Fig.1.1 to describe the changes in the number of journeys by bus in Great Britain from 1997/98 to 2017/18.** Various possibilities including: • Bus passenger journeys outside London have fallen over the period/from c 3.2 bn to c 2.7bn • Bus passenger journeys in London increased up to 2013/14 but have then fallen slightly/overall have increased/from c 1.3 bn to c2.3 bn • Overall bus passenger journeys have increased **(1 mark for any of these)**	**2**	The data clearly shows that overall during the period bus passenger journeys outside of London have fallen BUT within London, over the same period bus passenger journeys have increased. Within London, passenger journeys increased up to 2013/14 but declined thereafter.
1(a)(ii)	**Using the information in Fig.1.2, explain <u>one</u> of the changes you have identified.** Various possibilities including: • Public transport fares have increased above the rate of inflation • Bus passenger fares have increased faster than rail fares for most of the period • Bus fares have increased at their largest rate of growth since 2016 • Substituting bus journeys for rail journeys Identify the factor **(1 mark)** and explain with reference to the selected change in 1(a)(i) **(1 mark)** **OFR applied if candidate wrongly identifies changes for part a but then provides a valid explanation 1 +1**	**2**	Explanations are likely to focus on price elasticity of demand/consumer preferences and/or cross elasticity of demand/degree of substitutability between bus journeys and other forms of transport.

Question	Answer	Marks	Guidance
1(b)	**Explain how opportunity cost can be applied to the Great British government's decision to subsidise public transport.** A simple understanding of what opportunity cost is **(1 mark)** Which is applied to a valid example in context **(1 mark)**	**2**	Valid examples could include money committed to subsidising public transport may have been used for new roads, education, health services etc.
1(c)	**Explain whether public transport in Luxembourg has become a free good as a result of all prices being removed**. Explain what is meant by a free good **(1 mark)** Explain why this is not a free good **(1 mark)**	**2**	Explanation must refer to factors of production being needed to provide transport services i.e. there is a cost involved which is not the case with free goods Do not reward answers that clearly confuse free goods with public goods
1(d)	**Discuss whether a minimum price for fuel would be effective in reducing the congestion caused by the demand for roads exceeding supply.** For an analysis of the effect of introducing a minimum price in a market. **(up to 3 marks)** For analysis which explains why a minimum price may not be effective. **(up to 3 marks)** **MAXIMUM of 5 marks for analysis** **1 mark** for a justified conclusion as to whether a minimum price would be effective in reducing congestion	**6**	A minimum price for fuel above the equilibrium price would increase the price for car users and in theory, lead to reduced demand and reduced congestion. However, this would only be effective if the demand for fuel was price elastic. In addition, it will lead to excess supply and the possible formation of informal markets. It also depends on the ability of the government to maintain and enforce the minimum price.

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Question	Answer	Marks	Guidance
1(e)	**Discuss whether making public transport free to consumers is the best way to allocate resources in public transport markets.** Analysis of the benefits of free public transport **(up to 3 marks)** Analysis of the benefits of any other valid policy **(up to 3 marks)** **MAXIMUM of 5 marks for analysis** Award **up to 1 mark** for an evaluation of which policy is likely to be the most effective	**6**	Various alternative policies could be – Maximum prices for bus and rail fares – Transfer payments for bus and rail transport users – Subsidies

Question	Answer	Marks	Guidance
2(a)	**Market research has estimated that the cross-elasticity of demand for hotels in Barbados with respect to the price of flights to Barbados is –2.5, and that the cross-elasticity of demand for flights to Antigua with respect to the price of flights to Barbados is +0.5.** **Explain what is meant by cross-elasticity of demand and what these values mean in terms of the effect of changes in the price of flights to Barbados on** **(i) the demand for hotels in Barbados, and** **(ii) the demand for flights to Antigua.** For knowledge and understanding of the concept of cross elasticity of demand. What it measures **(1 mark)** and the formula **(1 mark)** (i) Identify that this would suggest hotels are a complement to flights due to the negative sign **(1 mark)** explain why the value is negative **(1 mark)** with reference to the size of the coefficient **(1 mark)** **(up to 3 marks)** (ii) Identify that this would suggest that flights to Antigua are a substitute for flights to Barbados due to the positive sign **(1 mark)** explain why the value is positive **(1 mark)** with reference to the size of the coefficient **(1 mark)** **(up to 3 marks)**	**8**	An increase in the price of flights to Barbados will lead to a larger percentage fall in demand for hotel accommodation (complements) and a smaller percentage increase in demand for flights to Antigua (substitutes). In the explanations, reference must be made to the significance of the size of the coefficient for the third mark

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Question	Answer	Marks	Guidance
2(b)	**Growing pressures on the budget and on the environment from increasing tourist numbers to Barbados led the government to announce a new indirect tax on incoming tourists in June 2018.** **Discuss the likely effectiveness of the new indirect tax in raising tax revenue and reducing tourist numbers.** For an analysis of how the new tax will raise tax revenue and reduce tourist numbers **(up to 4 marks)** For an analysis of other factors which may reduce the effectiveness of the new indirect tax **(up to 4 marks)** **Up to 4 marks** for an evaluation of the likely impact on the market of the new indirect tax, that may also consider other ways in which the government could raise additional revenue and reduce tourist numbers. **Reserve 1 mark** for a reasoned conclusion as to whether the new indirect tax would be truly **effective**	**12**	The effectiveness of the tax will depend on the PED for holidays in Barbados; incidence will vary with rate of tax. A diagram would help here although it is not essential. **There are no KU marks awarded in part b for merely explaining/defining terms or phrases within the question**

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Question	Answer	Marks	Guidance
3(a)	**Explain what is meant by aggregate supply and explain <u>one</u> reason why the aggregate supply curve of an economy would shift outwards in** **(i) the short run, and** **(ii) the long run.** For explanation of aggregate supply e.g. total output in an economy **(1 mark)** that distinguishes between short run and long run **(1 mark)** **(up to 2 marks)** Identify a reason **(1 mark)** plus **up to 2 marks** for an explanation of why this causes the SRAS to move outwards. **(up to 3 marks)** Identify a reason **(1 mark)** plus **up to 2 marks** for an explanation of why this causes the LRAS to move **(up to 3 marks)**	**8**	A shift outwards of the AS curve can be due to – an increase in the supply of labour – net investment – other factor inputs – devaluation of the exchange rate – government regulations – discovery of new resources – better education and training – advances in technology
3(b)	**Discuss whether an increase in aggregate demand would be of overall benefit for an economy.** For an analysis of the benefits of an increase in aggregate demand to the economy **(up to 4 marks)** For an analysis of the possible problems for an economy if aggregate demand increases **(up to 4 marks)** **Up to 4 marks** for an evaluation which clearly compares the benefits and the problems for an economy resulting from an increase in AD with **one mark reserved** for a reasoned conclusion	**12**	A good answer should consider firms, government and consumers/workers The benefits for an increase in AD may include economic growth, higher employment etc The problems may include inflation, current account deficit etc **There are no KU marks awarded in part b for merely explaining/defining terms or phrases within the question**

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Question	Answer	Marks	Guidance
4(a)	**Explain how a free trade area differs from a customs union and explain <u>two</u> reasons why countries move towards tariff-free trade.** **Up to 2 marks** for an explanation of the difference between a free trade area and a customs union. Knowledge and understanding of what is meant by a free trade area **(1 mark)** and knowledge and understanding of how this differs from a customs union **(1 mark)** Identify a reason why countries may move to tariff free trade **(1 mark)** and **up to 2 marks** that clearly explains the benefits to countries × **2** **(3 marks maximum per reason)**	**8**	The description of the principle of comparative advantage is not required. The main difference is in terms of a common external tariff in a customs union. Reference to common policies as in the case of the EU is also OK. Various benefits of free trade include – specialisation – higher living standards – cheaper and better quality products and more choice – increased employment – to benefit from the principle of comparative advantage

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Question	Answer	Marks	Guidance
4(b)	**Discuss the view that the gains from tariff-free trade are greater for countries who are net importers than for countries who are net exporters.** **Up to 4 marks** for an analysis of the benefits/gains /advantages and disadvantages from tariff-free trade for countries who are net importers. **Maximum of 3 marks** for answers that only considers either advantages or disadvantages **Up to 4 marks** for an analysis of the benefits/gains /advantages and disadvantages from tariff free trade for countries who are net exporters. **Maximum of 3 marks** for answers that only considers either advantages or disadvantages **Up to 4 marks** for an evaluation that clearly compares the impact of tariff free trade on both countries who are net importers and those who are net exporters with **1 mark** reserved for a valid conclusion as to whether the statement may be justified	**12**	This is an unusual statement, given that economic theory tends to concentrate on the benefits of increased exports not imports. The benefits from tariff-free imports can include cheaper supplies, better quality and range of goods, puts pressure on domestic producers to be more efficient etc. But the disadvantages may include a threat to domestic businesses. The benefits for net exporters include higher growth, increased employment etc. but the disadvantages may include higher inflation. **There are no KU marks awarded in part b for merely explaining/defining terms or phrases within the question**

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