Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **May/June 2022**

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.

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

Cambridge International is publishing the mark schemes for the May/June 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U 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)	**Describe the trend in the annual inflation rate of Bangladesh between 2009 and 2019.** Although the inflation rate is virtually the same in 2009 and 2019, the trend has been up and down during this period, i.e., the trend is fluctuating. (1 mark) Within this overall trend, it rose between 2009 and 2011 and then fell between 2012 and 2019, although within those years it both rose and fell. (1 mark) The inflation rate was not lower than 5.4% in any of the years between 2009 and 2019 but was significantly higher in four of the years: 11.4% in 2011, 8.1% in 2010, 7.5% in 2013 and 7.0% in 2014. (1 mark) **2 marks maximum**	**2**	No mark to be given to answers that just state the eleven figures without any recognition of the overall trend.

Question	Answer	Marks	Guidance
1(b)	**Explain why price changes in the food and non-food sectors in Bangladesh are treated differently when calculating the CPI.** A basic recognition that price changes in the food and the non-food sectors in Bangladesh may be different, possibly including some appropriate examples (1 mark) A clear recognition of the importance of weights in the construction of a CPI/a specific reference to, and explanation of, weightings in the calculation of the CPI for a country. There needs to be a clear reference to weights/weightings by a candidate to award the second mark (1 mark)	2	**Bangladesh:** There have been significant price rises in the food sector, including: • vegetables, particularly onions • fish • chicken There have also been significant price rises in the non-food sector, including: • healthcare • transport • energy resources such as gas **Weighting:** • the situation where certain products are given larger weights to reflect the greater proportion of income spent on them takes into account the relative importance of the components of a CPI

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Question	Answer	Marks	Guidance
1(c)	**Explain one domestic consequence and one external consequence for Bangladesh of having 'a relatively high rate of inflation'.** For an identification of one possible domestic consequence. (1 mark) For an explanation of one possible domestic consequence. (1 mark) For an identification of one possible external consequence (1 mark) For an explanation of one possible external consequence (1 mark)	**4**	**The domestic consequences for Bangladesh of a relatively high rate of inflation could include:** • redistribution of income as the real earnings of some workers in Bangladesh rise and the real earnings of others in Bangladesh fall • borrowers in Bangladesh will gain and lenders in Bangladesh will lose • menu costs in Bangladesh, e.g., the cost of changing prices • shoe leather costs in Bangladesh, e.g., the search for good returns • greater uncertainty – could discourage investment in Bangladesh • purchasing power of money for people in Bangladesh weaker **The external consequences for Bangladesh of a relatively high rate of inflation could include:** • if the rate of inflation in Bangladesh is higher than in other countries (it states it is one of the highest in Asia), this will make the country's exports less competitive (the effect will depend on PED) • this may worsen the current account position of Bangladesh.

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Question	Answer	Marks	Guidance
1(d)	**Analyse, with the help of aggregate demand and aggregate supply diagrams, how increasing wages can cause both demand-pull and cost-push inflation in Bangladesh.** For an analysis of demand-pull inflation in relation to wage increases. (1 mark) For an AD/AS diagram to show demand-pull inflation. (Up to 2 marks) 1 mark for correct labelling of the diagram 1 mark for the shift to the right of AD, showing increase in price level For an analysis of cost-push inflation in relation to wage increases. (1 mark) For an AD/AS diagram to show cost-push inflation. (Up to 2 marks) 1 mark for correct labelling of the diagram 1 mark for the shift to the left of AS, showing increase in price level	**6**	**Demand-pull inflation:** • it is stated that there has been an annual increase in the Wage Rate Index (WRI) of 6.6% in the last month of 2019 • increased consumer spending, e.g., through greater consumer confidence resulting from an increase in income • the AD curve will shift to the right causing an increase in the general price level **Cost-push inflation:** • wage increases to employees that are not linked to higher productivity • the AS curve will shift to the left causing an increase in the general price level The diagrams need to be accurately labelled, with the vertical axis labelled 'general price level' or 'price level' and the horizontal axis labelled 'real output' or 'real GDP'.

Question	Answer	Marks	Guidance
1(e)	**'However, there is always the possibility that tough monetary policies could do more harm than good to an economy, compared with the possible use of fiscal policy.'** **Discuss whether monetary policy or fiscal policy is more likely to be effective in controlling inflation.** For an explanation of the potential advantages and potential disadvantages of monetary policy in controlling inflation. (Up to 3 marks) (A maximum of 2 marks if only advantages or disadvantages are explained) For an explanation of the potential advantages and potential disadvantages of fiscal policy in controlling inflation. (Up to 3 marks) (A maximum of 2 marks if only advantages or disadvantages are explained) **5 marks maximum** **Reserve 1 mark for a conclusion**	**6**	**Potential advantages of monetary policy:** • a rise in interest rates can be effective in reducing the level of aggregate demand, especially if demand is interest-elastic; can be effective reducing demand-pull inflation • other monetary policies to control inflation can include a reduction of the money supply and a rise in the exchange rate **Potential disadvantages of monetary policy:** • an increase in interest rates may not be significant enough to have an effect, i.e., demand is relatively inelastic • the impact of an increase in interest rates can take a relatively long time to take effect • it will be less useful in controlling cost-push inflation • a rise in the exchange rate will not be useful if the PED for imports and exports is inelastic • a reduction of the money supply may sometimes be difficult to bring about

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Question	Answer	Marks	Guidance
1(e)			**Potential advantages of fiscal policy:** • a reduction in public expenditure can help to reduce the level of aggregate demand in an economy • an increase in the level of taxes can also have such an effect **Potential disadvantages of fiscal policy:** • it may not always be easy for a government to change its expenditure/revenue plans • increased taxes can have a disincentive effect • less useful controlling cost-push inflation

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Question	Answer	Marks	Guidance
2(a)	**When a planned economy introduces the price mechanism to allocate some resources, a mixed economy arises.** **Explain, using examples, why merit goods are classified as private goods rather than public goods.** **Knowledge and Understanding:** For knowledge and understanding of private goods. (1 mark) For knowledge and understanding of public goods. (1 mark) **2 marks maximum** **Application:** The use of appropriate examples to aid the explanation of why merit goods are classified as private goods. (Up to 3 marks) The use of appropriate examples to aid the explanation of why merit goods are not classified as public goods (Up to 3 marks) **6 marks maximum**	8	**Private goods:** • 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 non-rival • are non-excludable • are non-rejectable **Examples of merit goods:** • education • healthcare **Examples of public goods:** • street lighting • defence • police

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Question	Answer	Marks	Guidance
2(b)	**Discuss the advantages of a mixed economy and whether it is always preferable to a planned economy.** **Analysis:** Analysis of the advantages and disadvantages of a mixed economy. (Up to 4 marks) Analysis of the advantages and disadvantages of a planned economy. (Up to 4 marks) **8 marks maximum** **Evaluation:** For exercising some judgement on whether a mixed economy is always preferable to a planned economy. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	**Advantages of a mixed economy:** • the price mechanism is allowed to operate in many areas, facilitating its functions of rationing, signalling and the transmission of preferences • a government is able to intervene in a market, e.g., through a maximum price or a minimum price • some industries may be nationalised by the government **Disadvantages of a mixed economy:** • the workings of the price mechanism may be adversely affected by a government, e.g., taxes and subsidies • possibility of market failure **Advantages of a planned economy:** • a government may decide to directly provide certain goods and services **Disadvantages of a planned economy:** • greater role for a government leads to more bureaucracy and less efficiency • the lack of competition could lead to poorer quality and restricted choice **There are no KU marks awarded in (b) for merely defining/explaining terms used within the question.**

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Question	Answer	Marks	Guidance
3(a)	**Explain <u>two</u> factors that determine the price elasticity of supply of a manufactured product.** **Knowledge and Understanding:** For a correct definition/formula of price elasticity of supply. (Up to 2 marks) Candidates need to refer to the percentage/proportionate change in both Q and P to be awarded the second mark. **2 marks maximum** **Application:** Application of one factor determining the price elasticity of supply of a manufactured product. (Up to 3 marks) (1 mark for identification of the factor and up to 2 marks for explanation) Application of another factor determining the price elasticity of supply of a manufactured product. (Up to 3 marks) (1 mark for identification of the factor and up to 2 marks for explanation) **6 marks maximum**	**8**	**Definition of price elasticity of supply:** • percentage change in the quantity supplied of a product divided by the percentage change in the price of a product **Factors affecting the price elasticity of supply of a manufactured product:** • the number of producers: many such products will be produced in a market with many producers, but this is not always be the case, e.g., a monopoly • the existence of spare capacity: if there is spare capacity, PES will be more elastic than would otherwise be the case • the ease of storing stocks: this should be easier with manufactured products than perishable products, so PES will be relatively elastic • the time period: if more firms join the industry over time, PES will be relatively elastic • the factor mobility: the easier it is to move resources into the production of manufactured goods, the more elastic PES will be • the time taken to produce a product: the shorter the time, the more elastic supply will be

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Question	Answer	Marks	Guidance
3(b)	**Taxes are often placed on manufactured products, even those that are necessities with few substitutes.** **Discuss whether the incidence of a tax on a manufactured product always falls mainly on the producer.** **Analysis:** Analysis of the incidence of a tax on a manufactured product on the producer (Up to 4 marks) Analysis of the incidence of a tax on a manufactured product on the consumer (Up to 4 marks) **8 marks maximum** **Evaluation:** For exercising some judgement on whether the incidence of a tax on a manufactured product always falls mainly on the producer. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	**The incidence of a tax:** • the incidence of a tax refers to the extent to which the burden of a tax is borne by the producer and the consumer • this will depend on the price elasticity of demand for the product • depends on the elasticity of the supply curve. **The producer:** • if the demand for the product is relatively price elastic, then the producer will have to pay a greater part of the tax **The consumer:** • if the demand for the product is relatively price inelastic, then the consumer will have to pay a greater part of the tax **Necessities and substitutes:** • the degree to which a manufactured product is a necessity with few substitutes will influence the PED for the product. • in this situation, the PED for the product is likely to be relatively price inelastic **There are no KU marks awarded in (b) for merely defining/explaining terms used within the question.**

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Question	Answer	Marks	Guidance
4(a)	**Explain why fixed exchange rates could cause difficulties for a country that has one.** **Knowledge and Understanding:** For knowledge and understanding of a fixed exchange rate. (Up to 2 marks) (1 mark for the fact that the rate is determined by a government/central bank. 1 mark for the fact that it is therefore not determined by demand and supply) **2 marks maximum** **Application:** Application of one difficulty of a fixed exchange rate to a country that has one (Up to 3 marks) (1 mark for identification of the difficulty and up to 2 marks for explanation) Application of another difficulty of a fixed exchange rate to a country that has one (Up to 3 marks) (1 mark for identification of the difficulty and up to 2 marks for explanation) **6 marks maximum**	**8**	**A fixed exchange rate:** • a rate of a currency that is not determined by demand and supply • the rate is determined by government, e.g., through the intervention of a country's central bank in the foreign exchange market by buying (to raise the exchange rate) or selling (to lower the exchange rate) the currency or through increasing interest rates (to raise the exchange rate) or lowering interest rates (to lower the exchange rate) **Potential difficulties for a country:** • a government will need to have sufficient reserves to intervene in the foreign exchange market to maintain the rate of the currency • a government may be reluctant to change interest rates if this conflicts with other economic policies, e.g., a government might want to increase the interest rate to raise the exchange rate, but this may not be appropriate at a time of high unemployment

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Question	Answer	Marks	Guidance
4(b)	**Protectionism can take different forms in different countries.** **Discuss whether export subsidies are always a better method of protectionism than tariffs.** **Analysis:** Analysis of the advantages and disadvantages of export subsidies as a method of protectionism. (Up to 4 marks) Analysis of the advantages and disadvantages of tariffs as a method of protectionism. (Up to 4 marks) **8 marks maximum** **Evaluation:** For exercising some judgement on whether export subsidies are always a better method of protectionism than tariffs. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	**Advantages of export subsidies:** • subsidies to domestic producers will allow firms to lower cost and price and undercut foreign competition • difficult for the WTO to deal with as they are not an overt method of protectionism **Disadvantages of export subsidies:** • they involve an opportunity cost in terms of other areas that a government could have spent the money on • industries become too dependent on the subsidy rather than trying to become more competitive **Advantages of tariffs:** • a tariff is a tax or duty on import goods making them more expensive and less competitive • if the demand for imports is elastic, demand should fall • the government can use tariffs as a source of revenue **Disadvantages of tariffs:** • they will not be successful if demand for imports is price inelastic • they may lead to retaliation **There are no KU marks awarded in (b) for merely defining/explaining terms used within the question.**

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Question	Answer	Marks	Guidance
1(a)(i)	**Compare the rate of inflation in Russia in March 2015 with that in March 2020** The rate is higher in March 2015 / is lower in March 2020 / it has fallen over the time period / disinflation. **(1 mark)**	**1**	Figures are not required A reference to 'the rate of inflation' is not necessary as this is within the question. Note: do not allow 'improved', 'become better', 'it is lower' etc.
1(a)(ii)	**What has happened to the price level over this period?** It / The price level has risen / prices have risen (**1 mark)**	**1**	Specific references to 'price level' is not necessary as this is within the question.
1(a)(iii)	**Explain what could have caused real wages in Russia to decline between 2016 and 2018.** For an understanding that a decline in real wages means that prices must be rising more than the rise in wages (**1 mark)** For any explanation of a possible valid cause of this decline in real wages **(1 mark)**	**2**	Accept answers that merely state that prices must be rising faster than wages Valid causes may refer to e.g., high rates of inflation, a surplus of labour leading to a fall in wages etc but must make it clear why real wages have declined. **Note: No marks should be awarded if there is no understanding at all of what is meant by a decline in real wages.**
1(b)	**Explain whether school lunches provided free of charge by the Russian government would be classified as private goods or public goods.** For clear and accurate understanding of what is meant by the term excludable / non excludable (**1 mark)** For clear and accurate understanding of what is meant by the term rivalry / non rivalry in consumption (**1 mark)** For a correct application of both terms to free school meals (**1 mark)** **Leading** to a conclusion that free school meals must be private and not public goods (**1 mark)**	**4**	Candidates should demonstrate clear understanding of how public and private goods are distinguished by reference to the terms (non)excludability and (non) rivalry but for the first two marks **this does not need to be correctly applied to free school meals.** The final two marks may only be awarded if the terms are correctly applied to free school meals. The conclusion **must be** based on fully accurate application.

Question	Answer	Marks	Guidance
1(c)	**Assess, using aggregate demand and aggregate supply analysis, the likely impact of the changes shown in Table 1.1 upon the rate of inflation in Russia.** For analysis of how the move to a budget surplus will affect aggregate demand through its impact on **at least one** component of AD and the likely consequence of this on the rate of inflation. **(Up to 3 marks)** For analysis of the likelihood of the rate of inflation being controlled that considers the possible impact on AS resulting from the change from a budget deficit to a surplus. **(Up to 2 marks)** **1 mark for a valid conclusion**	**6**	The data in table 1.1 shows that the government budget has moved from a deficit to a surplus and the most likely cause will be a cut in government spending and/ or an increase in taxes. Analysis should consider how this is likely to impact at least one component of AD and therefore reduce AD and control the rate of inflation. However, this move may also affect AS and analysis should consider e.g., how reduced subsidies due to a fall in government spending, possible reduced investment due to a rise in taxes etc. may cause AS to shift to the left. Other government policies such as a cut in interest rates may also have a counter effect and may be accepted.

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Question	Answer	Marks	Guidance
1(d)	**Discuss whether the 'huge decrease in the price of oil' and the fall in the value of the rouble might bring more opportunities than threats to the Russian economy.** For analysis explaining why 'the huge oil price slump **and** the fall in the value of the rouble' will bring opportunities to the Russian economy (**Up to 3 marks)** Maximum of 2 marks if only the oil price slump **or** the fall in the value of the rouble is considered. For analysis explaining why 'the huge oil price slump **and** the fall in the value of the rouble' will bring threats to the Russian economy (**Up to 3 marks)** Maximum of 2 marks if only the oil price slump **or** the fall in the value of the rouble is considered. **Maximum of 5 marks in total for analysis** Leading to a well-reasoned conclusion whether or not there will be more opportunities than threats to the Russian economy (**1 mark)**	**6**	The fall in the price of oil is likely to reduce the value of Russia's exports and have a negative effect on the current account of the balance of payments, but this is only the case if the PeD is inelastic. A possible opportunity is that costs of production will fall for domestic firms that use oil and this may impact the Russian economy by making its exports more price competitive, The impact of the fall in the value of the rouble could be positive or negative depending upon the PED of Russia's imports and exports. There is a threat however that will result from the possible imported inflation and this may impact the Russian economy by lowering living standards.

Question	Answer	Marks	Guidance
2(a)	**With the help of a production possibility curve diagram(s) compare growth in the productive capacity of an economy and growth that results from a reduction in the quantity of unused resources in an economy. Explain one reason that might cause each to occur.** For **knowledge and understanding** of a PPC shown through an accurate diagram i.e., a concave or straight-line curve that meets both axes **(1mark)** with appropriate and correctly labelled axes **(1 mark).** For **application,** identification of a reason why there may be a growth in the productive capacity of an economy **(1 mark)** clearly explained **(1 mark)** using a fully accurate diagram to correctly illustrate a growth in the productive capacity of an economy shown by a shift outward in the PPC **(1 mark)** **(3 marks maximum)** For **application,** identification of a reason why there might be a reduction in the quantity of unused resources in an economy **(1 mark)** clearly explained **(1 mark)** using a fully accurate diagram to correctly illustrate a reduction in the quantity of unused resources in an economy shown by a movement from within the curve to a point nearer the curve or onto the curve. **(1 mark)** **(3 marks maximum)**	**8**	Knowledge and understanding marks may only be given for an accurate diagram and not a written explanation. Axes must be labelled correctly for the second KU mark i.e., not P and Q and not X and Y although good X and good Y are acceptable. A growth in the productive capacity of an economy is represented by a shift outward in the PPC. It can be caused by an improvement of technology or an increase in productive resources. A reduction in the quantity of unused resources in an economy is represented by a movement from within the PPC towards the curve. It can be caused for example by increased aggregate demand or by an improvement in the aggregate supply that makes the labour market more efficient. This may be illustrated on one diagram or more.

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Question	Answer	Marks	Guidance
2(b)	**Discuss the disadvantages of a planned economy and consider whether the transition to an economy in which many resources are allocated by market forces is likely to be of overall benefit.** For **analysis** of the disadvantages of a centrally planned economy **(Up to 4 marks)** For **analysis** of the impact of a change to an economy in which many resources are allocated by market forces with due reference to both the advantages and the disadvantages **(maximum mark of 3 if only advantages or disadvantages are analysed) (Up to 4 marks)** For **evaluation** that considers whether **transition** is likely to be of overall benefit **(Up to 3 marks)** to arrive at a reasoned conclusion **(1 mark)**	**12**	Disadvantages of a planned economy may include a lack of consumer sovereignty. A lack of profit motive which may lead to less efficiency. It may therefore lead to surpluses and / or shortages. It may lack incentives e.g., to invest which may lead to a lack of innovation and a reduction in consumer choice. The transition to an economy in which many resources are allocated by market forces may counter the disadvantages of a planned economy through market forces but it may also lead to the overproduction of demerit goods and the underproduction of merit goods together with a lack of public goods. It may lead to greater inequality. Evaluation may include a consideration of the time period. **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)	**With the help of diagrams, use the concept of income elasticity of demand to explain the impact of a fall in incomes on the equilibrium price and equilibrium quantity of a normal good and an inferior good** For **knowledge and understanding** of the meaning of income elasticity of demand **(1 mark)** together with an accurate formula **(1 mark)** **Note:** the correct KU of the meaning of income elasticity may be rewarded with 1 mark if it is clear **within** the application even if it was initially incorrect within an opening statement / definition. For **application** that explains the meaning of a normal good **(1 mark)** and uses a diagram to illustrate that the demand curve will shift to the left **(1 mark)** leading to a fall in equilibrium price and quantity demanded which is clearly shown on the diagram **(1 mark).** For **application** that explains the meaning of an inferior good **(1 mark)** and uses a **separate** diagram to illustrate that the demand curve will shift to the right **(1 mark)** leading to a rise in equilibrium price and quantity demanded which is clearly shown on the diagram **(1 mark).**	**8**	For a normal good, at a time when incomes are falling, demand will be expected to fall resulting in a shift to the left of the demand curve. For an inferior good, at a time when incomes are falling, demand will be expected to rise resulting in a shift to the right of the demand curve. This will result in a fall and rise respectively in the equilibrium price and quantity demanded which should be clearly shown on two separate diagrams as required by the question **Do not reward application where one diagram is used to illustrate the effects on both types of goods**. The maximum mark that this type of response could score is [2+3+1] Diagrams showing the relationship between income and q demanded for normal and inferior goods must not be rewarded (unless solely used as part of the explanation of the meaning of what normal and inferior goods are) as they clearly do not show the changes in equilibrium price and quantity. The only diagrams that may be accepted here are normal supply and demand diagrams that clearly show the appropriate shifts in demand and the resulting changes in equilibrium price and quantity demanded.

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Question	Answer	Marks	Guidance
3(b)	**Discuss the difficulties that businesses might have when they try to control the factors that determine the price elasticity of demand for a product and consider whether attempts to control these factors are likely to be successful.** For **analysis** that considers the difficulties a business might have in attempting to control a factor that influences the price elasticity of demand. **(Up to 4 marks per factor analysed) (8 marks maximum)** For **evaluation** that considers whether the **difficulties** in controlling the factors can be overcome **(3 marks)** and arriving at a reasoned conclusion **(1 mark)**	**12**	Factors include whether the good is a necessity, whether it is habit forming, the availability, attractiveness of substitutes, the proportion of income taken in the purchase of the good, and the time period. Responses that simply explain the factors that determine PeD without any references to the **difficulties** that business might have in controlling these factors should not be rewarded. Candidates must consider **at least two factors to score full marks for analysis** or they can consider more than two factors and their **difficulties** in less depth. **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)	**An economy moves from a deficit to a surplus on the current account of the balance of payments.** **Explain what is meant by a surplus on the current account of the balance of payments and consider the possible impact on the level of employment and prices when there is a change from a deficit to a surplus current account balance in an economy.** For **knowledge and understanding** of what the current account of the balance of payments measures **(1 mark)** and what is meant by a surplus **(1 mark)** For **application** that explains the impact of the emerging surplus upon employment. **(Up to 3 marks)** For **application** that explains the impact of the emerging surplus upon domestic prices. **(Up to 3 marks)**	**8**	The current account should be defined as trade in goods, services plus other income. For the second mark, a surplus is where payments received by a country exceed payments made by a country / where income from exports exceeds expenditure on imports. **The cause of the surplus will clearly be an increase in exports and / or a decrease in imports. However, there are several reasons why this might occur e.g., increased popularity of Russian exports, government policy to dampen domestic demand etc. Give 1 mark for identifying a valid cause / reason and then up to 2 marks for a developed explanation of the impact on employment and use the same criteria to award marks for the impact on domestic prices.**

Question	Answer	Marks	Guidance
4(b)	**Discuss whether expenditure-reducing or expenditure-switching policies are more likely to be of greater overall benefit if adopted to remove a persistent deficit on the current account of the balance of payments.** For **analysis** that considers the advantages and disadvantages of using expenditure-reducing policies to remove a persistent deficit on the current account of the balance of payments. **(a maximum of 3 marks if only advantages or disadvantages are analysed) (Up to 4 marks)** For **analysis** that considers the advantages and disadvantages of using expenditure-switching policies to remove a persistent deficit on the current account of the balance of payments **(a maximum of 3 marks if only advantages or disadvantages are analysed) (Up to 4 marks)** For **evaluation** that **compares** the advantages and disadvantages of the two approaches **(3 marks)** to arrive at a reasoned conclusion on which is to be of greater overall benefit in reducing a persistent deficit on the current account of the balance of payments **(1 mark)**	**12**	Candidates need to have a clear understanding of expenditure reducing and expenditure switching policies together with an understanding of the advantages and disadvantages of each. Examples of expenditure reducing policies which are designed to reduce domestic aggregate demand to reduce imports and increase goods for export may include: • raising taxes • reducing government spending etc. Examples of expenditure switching policies which are designed to encourage people to switch from buying imported goods to buying domestically produced goods may include: • protectionist policies • supply side policies • exchange rate policies etc. Analysis and evaluation should focus on how a persistent deficit on the current account may be removed using these policies but may also consider other impacts on the wider economy. **There are no KU marks awarded in part b for merely explaining / defining terms or phrases within the question.**

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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **May/June 2022**

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.

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

Cambridge International is publishing the mark schemes for the May/June 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U 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)	**Describe the change in the level and source countries of the US's imports of avocados from 2013 to 2018.** Various possibilities including • Overall increase in imports • Big increase in imports from Peru • Mexico remains the most important source of imports • Imports from Chile and Dom. Republic more variable Award **1 mark** for any of these points, 2 max.	**2**	
1(b)(i)	**Calculate the percentage change in the wholesale price of Mexican avocados between April 2019 and the end of July 2019.** 100% increase approximately (1)	**1**	Percentage increase is based on an increase from approximately 300 pesos per 10 kg box to 600 pesos per 10 kg box using change from the start of April Accept answers in the range 95% to 105% However, if data used is from end of April then the % change is c33% i.e. 150/450 × 100%. **Take note of when the data is taken from in April when marking the answer.**

Question	Answer	Marks	Guidance
1(b)(ii)	**Explain one possible demand reason and one possible supply reason for this change in price.** For recognition of a valid demand reason (1) for a valid explanation as to why price has increased as a result (1) For recognition of a valid supply reason (1) for a valid explanation as to why price has increased as a result (1)	**4**	The question implies that an explanation **of changes** in demand and supply over the period April to July 2019 is required. So, no marks should be awarded for the usual general demand and supply factors. Demand side: **new** research into health benefits of avocados, buying for a special event e.g., Superbowl, panic buying. These changes will lead to a shift to the right of the demand curve. Supply side: bad weather in Mexico leads to less supply; increased demand elsewhere reduces supply available to USA leading to a shift to the left of the supply curve
1(c)	**Using the information provided, consider whether the supply of avocados is price elastic or price inelastic in the short run and in the long run.** Price inelastic in short run **(1 mark)** valid reason e.g., reference to drought and lack of water affecting supply **(1 mark)** Price elastic in long run **(1 mark)** valid reason e.g., New producers enter the market **(1 mark)**	**4**	The data refers to the supply of avocados as being **'unpredictable'** and therefore difficult **to** control when price changes. This is a short run consideration. Longer term improved methods of farming and irrigation can make supply more responsive to price changes.
1(d)	**Explain with the help of a PPC diagram, the opportunity cost to a New Zealand farmer of converting from dairy to avocado production.** PPC diagram with axes correctly labelled **(1 mark)** Use of PPC diagram to show choices between dairy and Avocados **(1 mark)** Application of opportunity cost to the shape of the PPC **(1 mark)**	**3**	Correct labels **and** curve touching both axes Diagram used to explain the idea of choice on at least 2 different points on the curve. Curve may be used to explain constant opportunity cost (straight line) **OR** increasing opportunity cost (concave curve)

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Question	Answer	Marks	Guidance
1(e)	**Discuss whether the price mechanism in the avocado market is working to allocate resources successfully.** For analysis that shows that the market is in fact operating successfully (**up to 3 marks)** For analysis that explains why the market may not operate successfully in the future **(up to 3 marks)** **5 marks maximum for analysis leading to** A valid conclusion as to whether the price mechanism in the avocado market is working to allocate resources successfully **(1 mark)**	**6**	The market is operating effectively-price is signalling consumer preferences and being responsive to changes in demand and supply. Market could collapse if the health benefits prove to be wrong. New producers such as Kenya could flood the market with additional supply leading to a collapse in prices. Environmental pressures due to pressure on water supplies and forests being destroyed to plant new avocado bushes.

Question	Answer	Marks	Guidance
2(a)	**A government has decided to spend money building a new barrier to prevent flooding across a city. Explain why this flood defence barrier is likely to meet the characteristics of a public good.** For **knowledge and understanding** of the difference between a private good and a public good by reference to the characteristics of excludable (**1 mark)** and rivalry **(1 mark)** For **application,** explain that a flood defence system is a public good **(1 mark)**, why it is non excludable **(1 mark),** why it is non rival **(1 mark)** For **application,** explain that it **cannot** be a private good **(1 mark)** by accurate reference **to both** excludability and rivalry **(1 mark)** and the free rider problem **(1 mark)**	**8**	Public goods have two key characteristics. These are that they are non-excludable and non-rival. Both need to be explained and the explanation applied to a new flood defence barrier. Better answers will then point out the free rider problem in the provision of public goods and why it would be difficult for funding to be from the private sector as a private good.
2(b)	**Education and healthcare are considered to be merit goods.** **Discuss why merit goods are provided by both the private sector and the public sector.** For **analysis** of the reasons why merit goods are provided by the public sector **(up to 4 marks)** For **analysis** of why merit goods are provided by the private sector **(up to 4 marks)** For **evaluation** that considers why merit goods are likely to be provided by both the private and public sector **(up to 3 marks)** to arrive at a reasoned conclusion **(1 mark)**	**12**	Merit goods have positive side effects when consumed. They are provided because of information failure which can lead to under consumption and under production. Consumers of things like education and healthcare do not perceive the true benefits usually because they do not have either any information or true information. Therefore, the government often provides merit goods. Merit goods in many countries are provided by the private sector as well as the public sector. This is often because the cost of provision to the public sector is too great or because the cost cannot be met in full. The case of healthcare is important in most low and middle-income countries. **There are no 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 the difference between cost-push and demand-pull inflation.** For **knowledge and understanding** of what is meant by inflation e.g., it is a situation where there is a sustained / persistent rise **(1 mark)** in the general / average price level / prices **(1 mark)** For **application** that explains what is meant by cost push inflation **(1 mark)** an appropriate example of a cause **(1 mark)** duly explained as to why it causes inflation **(1 mark)** For **application** that explains what is meant by demand pull inflation **(1 mark)** an appropriate example of a cause **(1 mark)** duly explained why this is different to cost push inflation **(1 mark)**	**8**	Cost-push inflation is the outcome of a rise in the costs of production. This results in a shift to the left of the AS curve, increasing the price level. Possible causes could be an increase in wages above the rate of inflation, an increase in raw material costs or an increase in the price of fuel imports due to the depreciation of the currency Demand-pull inflation occurs when there is an increase in aggregate demand not matched by an increase in aggregate supply. This will have a strong effect if the economy is at or close to the level of full employment. The cause could be an increase in government spending, a reduction in taxation leading to a consumer boom or an increase in demand for exports following a depreciation of the currency.

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Question	Answer	Marks	Guidance
3(b)	**Discuss whether a contractionary monetary policy is the best way to reduce the rate of inflation.** For **analysis** that considers the advantages **and** disadvantages of using monetary policy to reduce the rate of inflation **(up to 4 marks** with a **max of 3** if only advantages **or** disadvantages are analysed**)** For **analysis** that considers the advantages **and** disadvantages of at least one other policy to reduce the rate of inflation **(up to 4 marks** per policy with a **max of 3** if only advantages **or** disadvantages are analysed**)** For **evaluation** that considers which is the best way to reduce the rate of inflation **(3 marks)** to reach a justified conclusion as to which is the **best** way **(1 mark)**	**12**	Monetary policy involves measures that influence the price or quantity of money. These include interest rates and the money supply. In some countries exchange rate policy is included. Interest rate changes though have tended to be the main policy used to control the rate of inflation in most countries. In theory, an increase in the rate of interest should encourage more saving by consumers and less funding for investment by businesses. If effective, an increase in interest rates should reduce the rate of inflation. Fiscal policy can also be used. This involves increasing taxation or reducing government spending to reduce inflation. Both measures are at the cost of increasing the level of unemployment. Supply side policies are also possible, especially if there are structural weaknesses in an economy. **There are no 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 why some countries consistently have a deficit on the current account of the balance of payments.** For **knowledge and understanding** of what the current account of the balance of payments measures **(1 mark)** and what is meant by a deficit **(1 mark)** For **application** that explains the causes of a current account deficit **(up to 3 marks)** For **application** that explains why some countries may experience a persistent deficit **(up to 3 marks)**	**8**	The current account should be defined as trade in goods, services plus other income. For the second mark, a deficit is where payments received by a country are exceeded by payments made by a country / where income from exports is exceeded by expenditure on imports. There are many causes of a current account deficit. These include an appreciation of the exchange rate; a reduced supply of primary goods for exports; deterioration in the terms of trade; reduced level of aid; reduced transfer of earnings from migrant workers overseas; increased protection from trading partners. The answer should focus on why some countries consistently have a deficit.

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Question	Answer	Marks	Guidance
4(b)	**Discuss the extent to which expenditure-switching policies and expenditure-reducing policies might be able to reduce such a deficit.** For **analysis** that considers the advantages and disadvantages of using expenditure-switching policies to remove a deficit on the current account of the balance of payments. **(a maximum of 3 marks if only advantages or disadvantages are analysed)** **(Up to 4 marks)** For **analysis** that considers the advantages and disadvantages of using expenditure-reducing policies to remove a deficit on the current account of the balance of payments **(a maximum of 3 marks if only advantages or disadvantages are analysed)** **(Up to 4 marks)** For **evaluation** that **compares** the advantages and disadvantages of the two approaches **(3 marks)** to arrive at a reasoned conclusion on which is to be of greater overall benefit in reducing a deficit on the current account of the balance of payments **(1 mark)**	**12**	Candidates need to have a clear understanding of expenditure reducing and expenditure switching policies together with an understanding of the advantages and disadvantages of each. Examples of expenditure reducing policies which are designed to reduce domestic aggregate demand to reduce imports and increase goods for export may include: • raising taxes • reducing government spending etc. Examples of expenditure switching policies which are designed to encourage people to switch from buying imported goods to buying domestically produced goods may include: • protectionist policies • supply side policies • exchange rate policies etc. Analysis and evaluation should focus on how a persistent deficit on the current account may be removed using these policies but may also consider other impacts on the wider economy. **There are no KU marks awarded in part b for merely explaining / defining terms or phrases within the question.**

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