CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **May/June 2024**

MARK SCHEME

Maximum Mark: 60

Published

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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 descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

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- marks are awarded when candidates clearly demonstrate what they know and can do
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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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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).

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

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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)

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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 …).

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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)

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- Slashes (/) or the word 'or' separate alternative ways of making the same point.
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Assessment objectives

AO1 Knowledge and understanding

- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis

- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation

- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	• No creditable response.	0

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Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	• No creditable response.	0

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Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)(i)	**Using Table 1.1:** **Identify the overall trend in Sri Lanka's balance of trade in goods and services between January 2022 and January 2023.** • The trade **deficit** has **fallen / declined / decreased / reduced (1)**	**1**
1(a)(ii)	**Calculate the percentage change in Sri Lanka's balance of trade in goods and services between January 2022 and January 2023.** • (Deficit has fallen) by 52% **(1).** **Guidance:** The answer **MUST** refer to the trade deficit and the fact that it has fallen for the first mark i.e., not simply improved. Accept answers in the range 51% to 53% for part (ii).	**1**
1(b)	**Explain what is meant by 'Sri Lanka has enjoyed a comparative advantage in growing and exporting tea.'.** This means that Sri Lanka can grow and export tea at a lower opportunity cost **(1)** than another country **(1).** **Guidance:** Both parts must be clear for full marks.	**2**
1(c)	**Consider the extent to which depreciation of the Sri Lankan rupee could improve the country's balance of trade in goods and services.** • For a clear explanation of what is meant by a depreciation **(1)**. • For an explanation that this should lead to a fall in the relative price of exports and a rise in the relative price of imports **(1)**. • And the resulting impact on the level of exports and imports and the impact on the balance of trade **(1)**. **Max 3 marks** **Evaluation** This will depend upon the: • PED of exports and imports with suitable explanation **(1)**.	**4**

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Question	Answer	Marks
1(d)	**Assess whether the removal of all protectionism is likely to reduce the balance of trade deficit.** **Up to 4 marks for explanation / analysis:** • Possible **advantages** of retaining/not removing import tariffs e.g., to protect developing and declining industries from foreign competition, preserve levels of employment, prevent dumping etc. (up to 2 marks) • Possible **advantages** of removing import tariffs e.g., to remove the risk of retaliation, encourage foreign investment, encourage domestic industries etc. (up to 2 marks) **Up to 2 marks for evaluation:** • That considers advantages of **both** alternatives to reach a valid conclusion as to whether the removal of all import tariffs is likely to reduce the deficit **(reserve 1 mark).** **Note:** Ensure that the analysis is clearly focused on the effect on the trade balance. Accept reference to other forms of protectionism.	**6**
1(e)	**Assess the extent to which supply-side policies will be able to 'lead Sri Lanka back into economic growth'.** **Up to 4 marks for explanation / analysis:** • Possible **benefits** of using supply-side policies e.g., to create a better trained, educated and healthier workforce that is more productive, an environment more suited to enterprise etc. (up to 2 marks) • Possible **drawbacks** of using supply-side policies which may include the cost of provision, the time lag involved, the receptiveness of the workforce etc. (up to 2 marks) **Up to 2 marks for evaluation:** • That fully considers **both** potential benefits **and** drawbacks to reach a valid conclusion as to the extent to which supply-side policies will be able to lead Sri Lanka back into economic growth. **(reserve 1 mark)**	**6**

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Section B

Question	Answer	Marks
EITHER		
2(a)	**With the use of examples, explain the difference between public goods and merit goods and consider whether markets will always provide enough of both goods.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • For the use of accurate examples of **BOTH** merit goods and public goods **(1)**. • For clearly explaining the characteristics of public goods i.e., non-rivalry and non-excludable **(1)**. • For clearly explaining the characteristics of merit goods i.e., better than people realise and under consumed / underproduced due to information failure **(1)**. **AO2 Analysis (max 3 marks)** • A market economy is less likely to produce enough of both goods due to the lack of a profit motive **unless** heavily subsidised. • A mixed economy may produce enough due to government involvement and the welfare motive but may be constrained by limits on government spending. **Note:** Analysis should consider at least **2** markets. If only **1** market is analysed, then **2 marks maximum** for analysis and **0** for evaluation. **AO3 Evaluation (max 2 marks)** Offers a valid evaluation of whether enough of both types of good can be produced in at least 2 markets **(1)** reaching a valid conclusion **(1).**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether a planned economic system should always switch to a mixed economy.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Analysis of both the **potential advantages and disadvantages of a planned economic system** including the emphasis on welfare and provision of public and merit goods. However, the lack of competition may mean a lack of efficient allocation of goods etc. • Analysis of both the **potential advantages and disadvantages of a mixed economy** including the fact that it possibly contains the best features of both a planned and a market economy, but this depends on how mixed it actually is. This may also include an assessment of the ease of the switch itself. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • For an evaluation of **both** the advantages and disadvantages of planned **and** mixed economies leading to: • A valid conclusion. Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**With the help of a formula, explain what is meant by the income elasticity of demand for a product and consider the extent to which demand for the product will always rise at the same rate as the income of its consumers.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For an accurate formula of YED **(1)**. For clear and accurate knowledge and explanation of what is meant by YED **(1)** including the difference between elastic and inelastic YED **(1)**. **AO2 Analysis (max 3 marks)** For a clear understanding and explanation that this depends on the coefficient value of YED **(1)** and analysis of the different outcomes depending on whether the product is normal (positive coefficient) **(1)** or inferior (negative coefficient) **(1)**. **AO3 Evaluation (max 2 marks)** For a considered evaluation of the possible outcomes **(1)** leading to a valid conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess the extent to which price elasticity of supply or cross elasticity of demand is most useful to businesses.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • An assessment of the usefulness of **PES** e.g., it estimates how quickly a business will take to respond to changes in demand, levels of stock it can hold etc., but this is only an estimate and may change. • An assessment of the usefulness of **XED** e.g., it tells the business whether their product is a substitute (positive XED) or a complement (negative XED) and how close the relationship is and hence its sensitivity to the actions of other businesses, but the speed of change may mean it is quickly out of date. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • For a full evaluation of the usefulness of **both** measurements compared with each other leading to: • A valid conclusion Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C

Question	Answer	Marks
EITHER		
4(a)	**Explain <u>three</u> of the components of aggregate demand and consider the extent to which they may be increased without leading to inflation.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For a clear and accurate explanation of three components of aggregate demand i.e., consumer spending, investment, government spending and / or net exports **(1 × 3)**. **Note. Q4(b)** lists three components of AD so any AO1 marks **CANNOT** be awarded for simply mentioning a component. **AO2 Analysis (max 3 marks)** For an analysis that explains that one cause of inflation is a situation where AD rises more than AS **(1)** but also considers why this may or may not occur e.g., the economy is operating at less than capacity, some of the increase in AD also increases AS etc. (up to 2 marks) **Note.** If both scenarios are considered, then full marks may be awarded. For one-sided answers, **maximum** mark of **1.** **AO3 Evaluation (max 2 marks)** For an answer that clearly considers **both** sides **(1)** leading to a valid conclusion **(1).**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**The Chinese government has re-emphasised its commitment to rebalancing the economy from one focused mainly on investment and exports to one aiming to increase the proportion spent on domestic consumption.** **Assess the extent to which it would be possible to achieve this by fiscal policy alone**. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The analysis must focus on the usefulness of using **fiscal policy** to rebalance the economy in the way suggested. Domestic consumption can be boosted by a number of fiscal policies including policies on taxation and government spending, but the main problem would be achieving this in a sustainable way. • This analysis must be compared with **alternative policies** including **supply-side policies** and **monetary policies** plus fiscal policies with a supply-side content. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • For a full evaluation of more than one type of policy that clearly assesses and compares the potential usefulness of them to rebalance the Chinese economy leading to a:valid conclusion. Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**Explain <u>three</u> causes of unemployment and consider which cause is likely to be most damaging to a high-income economy.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For a clear and accurate explanation of **three** causes of unemployment from frictional, structural, cyclical (demand deficient), seasonal or technological (**3×1**)**.** **AO2 Analysis (max 3 marks)** Each cause identified must be analysed, and judgements made about how damaging it might be for a high-income economy **(3×1).** For example, points to consider may include: • Frictional unemployment may be dependent on information provision. • Structural unemployment may be permanent and difficult to solve. • Cyclical unemployment depends on the economic cycle. • Seasonal depends on alternative sources of employment. • Technological depends on occupational or geographical immobility of labour. **AO3 Evaluation (max 2 marks)** For an answer that clearly assesses how damaging each cause may be to a high-income developed economy **in comparison** with each other **(1)** that leads to a justified conclusion as to which may be the most damaging **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess which expansionary macroeconomic policy would be most likely to enable a government to meet its economic objective of a low rate of unemployment.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The analysis must focus on the advantages and disadvantages of using at least **two** expansionary macroeconomic policies to keep unemployment low. For example, one policy might be an expansionary supply-side policy with an emphasis on training and education which would allow people to be more employable, e.g., by having more relevant skills but it may be time-consuming and costly. • This chosen policy must then be contrasted with an alternative policy / policies. For example, expansionary monetary policy may be suggested with the use of low interest rates to encourage investment and boost employment, but the investment may be directed towards more capital-intensive production. **Note.** The focus of the question **must** be on how a low rate of unemployment may be achieved. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation:** • That clearly compares the likely success of at least **two** expansionary macroeconomic policies that leads to: • A valid conclusion as to which policy would be most likely to meet the economic objective of a low rate of unemployment. • Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
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Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

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3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included, and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	No creditable response.	0

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Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

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Section A

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Describe what has happened to consumer prices in the Eurozone between March 2021 and February 2022.** • **For example, c**onsumer prices / inflation/ CPI have risen over this period (1) by 4.89% (accept an answer between 4.8% and 4.9%) (1) rose every month except July 2021 (1). **Guidance:** Other examples may include, the largest increase was in February 2022 **(1),** the rate of increase was generally lower before October 2021 than after. **(1)** **Note:** simply stating consumer prices have increased from 106.53 to 111.74 or by 5.21% is worth 1 **MAX.** Award one mark for each valid change between March2021 and February 2022. **Note:, it is not necessary to provide figures / calculations.**	**2**
1(b)	**With the help of an aggregate demand and aggregate supply diagram, identify the main type of inflation in the Eurozone.** • For clearly identifying that the main type of inflation in the Eurozone is cost-push inflation **(1)** • Shown on a correctly labelled diagram that shows a shift to the left of the AS curve and the increase in the price level **(1)**	**2**
1(c)	**Consider the extent to which the shortage of supply of labour in the Eurozone may have contributed towards the increasing rate of inflation.** • Shortage of the supply of labour is likely to increase wage rates (1) • Which will increase business costs of production/ and therefore cause cost-push inflation/shift AS curve to the left (1) • However, energy costs have also increased further adding to costs of production (1) **For valid evaluation** • Extent therefore depends on (e.g.) relative increases in costs due to wages and energy costs (1) **Please use a text box to show the mark split e.g., 2,1**	**4**

Question	Answer	Marks
1(d)	**Using the concept of price elasticity of demand, assess the relative impact on poorer households, including those on fixed incomes, of rising prices of food and energy.** **For explanation/ analysis (up to 4 marks)** For a fully accurate formula of PED and / or an explanation of what it measures in terms of the responsiveness / percentage change in quantity demanded compared to a change in price (1) For an explanation that food and energy would be classed as essential/necessity goods and therefore price inelastic meaning that quantity demanded would be less responsive to a change in price / the fall in quantity demanded would be less than the increase in price (1) For an explanation that poorer households (including fixed income households) would suffer a great detrimental / negative effect because their income does not rise in line with inflation and / or they are unlikely to be in a position to negotiate for higher wages (1) For an explanation that this situation can only be overcome if e.g., government support is made available to assist poorer households with the rising prices of food and energy. (1) ALTERNATIVELY, the 4th mark can be given for a comparison to higher income households who will probably be in a position to either negotiate for income increases in line with inflation OR absorb the rising prices of food and energy. For evaluation That clearly assesses the extent of the impact solely on lower income households e.g., by considering the amount of possible government assistance possible, the degree to which such households can compensate for the price rises etc., **Reserve 1 mark** for a justified conclusion. **OR** That clearly assesses the relative impact on **different types of households (including high-income households**) by considering e.g., the proportion of income spent on food and energy together with their ability to negotiate for higher pay. **Reserve 1 mark** for a justified conclusion. **Please use a text box to show the mark split e.g., 3,1**	**6**

Question	Answer	Marks
1(e)	**Assess the advantages and disadvantages of the ECB 'substantially' increasing the interest rate to control rising inflation.** **Up to 2 marks for explanation / analysis** of the advantages of substantially increasing the interest rate to control rising inflation e.g., it will curb demand pull inflation by reducing AD and it is a relatively quick and easy policy to adopt. **Up to 2 marks for explanation / analysis** of the disadvantages of substantially increasing the interest rate to control rising inflation e.g., this inflation is supply led and reducing AD will have little effect and in fact this policy may add to supply costs and cause other unintended serious consequences for the economy. **Up to 2 marks for evaluation** • That clearly considers **both** advantages **and** disadvantages **/** compares with an alternative policy such as supply-side policy / refers to the significance of a substantial increase **No mark for eval can be awarded if only advantages or disadvantages are considered**. • Comes to a reasoned conclusion as to whether advantages outweigh disadvantages or vice versa **(reserve 1 mark)** **Please use a text box to show the mark split e.g., 2,2,2**	**6**

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Section B

Question	Answer	Marks
EITHER		
2(a)	**Explain how the Gini coefficient is used to measure income inequality <u>and</u> consider the relative strength of <u>two</u> economic reasons suggested for such inequality in a low-income country.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For a clear understanding of what the Gini coefficient is e.g., it is a numerical measure of the extent of income inequality in an economy (1) if there is no inequality the value will be zero and at the other extreme, if all income is earned by one person the value will be one (1) For an explanation that the nearer the value is to zero income is more equally distributed and/or the nearer the value is to one the more it is unequally distributed (1). **AO2 Analysis (max 3 marks)** Reasons may include: • A lack of employment opportunities e.g., which will mean that income levels are low **(1)** which may be more of a problem in low-income countries because industry may be less well developed **(1)**. • Poor vocational training e.g., leading to fewer people being able to develop their skills and earn a higher income **(1)**. This may be more of a problem in such countries because of the lack of finance to provide such training. **(1)** • A lack of investment in education and health e.g., meaning that some people may not receive a better level of education or may suffer long term health issues which will lower their potential income levels. **(1)** This may be more common in such countries due to a lack of government budget **(1)** • Other reasons include: • Poor infrastructure • Lack of access to loan finance Analysis must focus on the strength of **two** of these reasons in a low-income country. **Maximum** of 2 marks if only one reason considered. **One mark** per reason explained **(+1)** if clearly related to a low-income country. Accept any valid reason provided it is explained in terms of economics. **Maximum** of **2** marks if only one reason is considered. **AO3 Evaluation (max 2 marks)** Up to 2 marks for evaluating the relative strength of the two reasons with 1 mark reserved for a balanced judgement as to which may be the most likely reason **in a low-income economy.**	**8**

Question	Answer	Marks
2(a)	**Please use a text box to show the mark split e.g., 2,2,1**	
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess the extent to which government policies to redistribute income and wealth are likely to be successful.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** Policies may include: • Minimum wage rates • Transfer payments • Progressive income taxes • State provision of essential goods and services • Investment in infrastructure Accept any valid policies but the analysis must focus on how they may be used to redistribute income and wealth and their advantages and disadvantages to be credited. E.g., A minimum wage rate that is set above the equilibrium, should increase the income levels of those on the lowest levels and therefore possibly ensure that poverty is reduced. However, if everyone's income levels increased, this will not have a redistribution effect. It will not impact on the self-employed. It may lead to unemployment and more poverty leading to less redistribution if businesses cannot afford the higher rates. E.g., Progressive income taxes should ensure that those on lower incomes pay less tax as a percentage of income than those on higher incomes. This should have a redistributive effect. However, those on higher incomes may have the ability to reduce their tax burden or may simply leave the country. It may also reduce incentives to earn more. **Note:** if only **one** policy is considered, the **maximum level** will be **Level 2.** **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

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Question	Answer	Marks
2(b)	**AO3 Evaluation** • Requires an assessment of the likely success of more than one government policy leading to • A justified conclusion as to whether such policies are ever likely to be successful. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**With the help of an example of each, explain the difference between a merit good and a demerit good <u>and</u> consider whether a subsidy given to a merit good will always be effective in increasing its consumption.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** A merit good is thought to be desirable but is underprovided / underconsumed due to information failure/a lack of awareness/better than is realised (1) whereas a demerit good is thought to be undesirable but is overprovided / overconsumed due to information failure/a lack of awareness/worse than is realised (1) Third mark to be awarded for valid examples of **both** a merit and a demerit good. (1) **AO2 Analysis (max 3 marks)** • Points to consider: • A subsidy may encourage poorer households to consume more merit goods as the reason for underconsumption may be unaffordability as it reduces the price of merit goods. **(1)** • However, quantity demanded may be price inelastic meaning it is less responsive to price changes so quantity demanded will be less responsive to the change in price/the rise in quantity demanded would be less than the decrease in price. **(1)** • The problem of information failure persists meaning that consumers remain unaware of the benefits and therefore do not increase consumption, regardless of the fall in price. **(1)** **AO3 Evaluation (max 2 marks)** • For a balanced evaluation of whether a subsidy will always be effective with 1 mark reserved for a justified conclusion. **Please use a text box to show the mark split e.g., 2,2,1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess whether fixing a minimum price is likely to be the best policy to reduce the consumption of a demerit good.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Use of minimum pricing to increase the price of the demerit good and reduce consumption. • Problems of using minimum pricing may include discussions around inelastic PED, problem of information failure persists, informal markets may appear etc. • Alternative policies that may be considered include increasing indirect taxes, education, provision of information and analysis should focus on the advantages and disadvantages of such policies in reducing the consumption of demerit goods. • Points to consider will include ease of introducing the policy, time and cost, reception by consumers etc. • Accept any valid policies but the analysis must focus on how they may reduce the consumption of demerit goods and discuss their advantages and disadvantages. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Requires an assessment of at least one other policy to be compared against minimum pricing policy which leads to • A justified conclusion as to whether a minimum pricing is the best policy to reduce the consumption of demerit goods. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C

Question	Answer	Marks
EITHER		
4(a)	**With the help of a diagram, explain what is meant by the circular flow of income in an open economy <u>and</u> consider the extent to which it can explain economic growth in such an economy.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** A simple circular flow diagram (1) that clearly shows/ explains separately that expenditure flows from households to firms (1) and that income flows from firms to households (1) **Note:, this is all that is required for the knowledge and understanding marks regardless of the complexity of the diagram.** **AO2 Analysis (max 3 marks)** • The first two marks are for an analysis of injections greater than withdrawals and how this leads to economic growth/increase in national income and (1) for an analysis of withdrawals greater than injections and how this leads to a fall in economic growth/national income (1). • Reference must be made in some way to the fact that in open economy injections include income from exports and that leakages includes expenditure on imports along with at least one other example of an injection and one other example of a leakage for the (1). **AO3 Evaluation (max 2 marks)** • Evaluation should explain how the relative sizes of injections and leakages will lead either to economic growth or a fall in economic growth with 1 mark reserved for a justified conclusion. **Please use a text box to show the mark split e.g., 2,2,1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**Assess whether supply-side policy is the most effective way to achieve long-run economic growth.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Long-run economic growth is likely to need both growth of AD **and** AS • Analysis of the role of supply side policy in achieving long-run economic growth and its advantages and disadvantages. E.g., supply side policy such as training and education is more likely to increase AS, but this can also lead to an increase in AD, for example as better training leads to an increase in income and therefore an increase in consumer spending. It is also less likely to result in inflation. However, it is costly and will take time. • Analysis of the extent to which supply side policy can lead to growth in both AD and AS. For an explanation that a problem with supply side policy is that it is less effective in directly increasing the level of AD. • Analysis of at least one alternative policy e.g., fiscal policy or monetary policy and how they may achieve long-run economic growth, together with their advantages and disadvantages e.g., fiscal policy such as a reduction in income tax is more likely to increase AD and can be relatively quick. It may also indirectly lead to an increase in AS if more people are encouraged to enter the workforce. However, if AS does not increase, it may be inflationary. It may also reduce the amount available for government spending. • Analysis of the extent to which these policies can lead to growth in both AD and AS. For an explanation that a problem with such policies is that they are less effective in directly increasing the level of AS. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

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Question	Answer	Marks
	AO3 Evaluation • Requires an assessment of at least one other government policy to be compared against supply side policy in achieving long-run economic growth which leads to • A justified conclusion as to whether supply side policy is the most effective way to achieve long-run economic growth or whether a different policy / combination of policies may be more successful that takes into account the advantages and disadvantages of such policies in increasing both AS **and** AD. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
5(a)	**Explain what is meant by the term protectionism <u>and</u> consider the effectiveness of using tariffs as a method of protectionism.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** Protectionism is when governments attempt to protect domestic businesses against foreign competition (1). It seeks to reduce the impact of the free market/ restrict free trade (1) by increasing the price competitiveness of domestic businesses against foreign competitors (1). **AO2 Analysis (max 3 marks)** • An explanation of how tariffs work (diagram will help although this is not essential) as a method of protectionism i.e., increasing prices of imports and increasing the price competitiveness of domestic businesses. NB: no marks for a diagram unless it is used to explain the impact on the price of imports and how it protects domestic businesses. **Up to 2 marks** e.g., for an explanation of how tariffs increase the price of imports **(1)** and how this protects domestic businesses as it increases their price competitiveness **(1)** • Problems may include possible retaliation, inelastic PED for imports, possible cost push inflationary pressure. **Up to 2 marks** e.g., retaliation by other countries may offset the impact, if the demand for imports is price inelastic then imports may not fall and domestic businesses will not benefit, if the impact is on imported raw materials, this will lead to cost push inflation and domestic businesses who rely on such imports will not benefit. • **If only uses or problems of tariffs are discussed, maximum mark of 2.** **AO3 Evaluation (max 2 marks)** • Evaluation should consider how effective tariffs may be considering **both** how they can protect domestic businesses **and** the associated problems with 1 mark reserved for a justified conclusion. **Please use a text box to show the mark split e.g., 2,2,1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess whether free trade is always better than a policy of protectionism for a developing economy that wishes to trade internationally** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Analysis of the advantages **and** disadvantages of free trade **and** • Analysis of the advantages and disadvantages of protectionism • Both in the context of a developing economy. **Guidance:** The advantages of free trade may include: • Efficient allocation of resources due to specialisation and comparative advantage. • An opportunity to take advantage of different factor endowments. • Competitive pressure to keep costs down / increase efficiency / lower prices for consumers. • Higher output / economies of scale and increased choice and availability for consumers. • Disadvantages may include: • Over exploitation of scarce resources. • Closure of domestic industries and /or problems for developing industries leading to unemployment particularly in a developing economy. • Dumping / unfair competition. • It is likely that the advantages of protectionism will result from the disadvantages of free trade and the disadvantages of protectionism will result from the advantages of free trade. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **NOTE: if the analysis is not in the context of a developing economy, then L2 maximum.**	**12**

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Question	Answer	Marks
5(b)	**AO3 Evaluation** • Requires an assessment of the advantages and disadvantages of both free trade and protectionism in the context of a developing economy and a comparison of both policies which leads to • A justified conclusion as to which policy may be best for a developing economy that wishes to trade internationally. • **Note: if the evaluation is not in the context of a developing economy, then no evaluation marks can be awarded.** **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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CAMBRIDGE
International Education

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ECONOMICS **9708/23**

Paper 2 Data Response and Essay **May/June 2024**

MARK SCHEME

Maximum Mark: 60

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.

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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 descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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).

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.

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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.

Assessment objectives

AO1 Knowledge and understanding

- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis

- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation

- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	No creditable response.	0

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Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Use the information provided to calculate the real interest rate for Turkey in January 2022.** • For a correct answer of -34.7% **(2**) • For an answer of 34.7% without the minus sign **(1) OR** • For the correct formula with an incorrect calculation **OR** no calculation **(1)** **Guidance:** The case study gives the annual year on year increase in consumer prices (48.7%) and the interest rate of (14%). The real interest rate is negative and is the difference between the two, namely **34.7%**	**2**
1(b)(i)	**Explain why the Turkish lira depreciated from September 2021.** **For an identification** of a likely reason. These may include a fall in the short-term interest rate from 19% to 14%, an increase in the rate inflation from 36.1% to 48.7%, low producer and consumer confidence, a fear of a collapse in the banking system **(1)** **For an explanation** as to how this leads to a depreciation of the lira i.e., these reasons will lead to a fall in demand for the lira (in the forex market) leading to a fall in its value **(1)**	**2**
1(b)(ii)	**Consider the extent to which producers in Turkey are likely to have been affected by the depreciation of the lira on the foreign exchange market from September 2021.** **Up to 3 marks** for an explanation of how producers in Turkey may have been affected by the depreciation of the lira. e.g., the price of imported raw materials will rise **(1)** which will lead to an increase in the cost of production **(1)** which will lead to reduced price competitiveness for Turkish producers leading to lowered demand **(1)** **Other points to consider include e.g.:** • It may reduce the incentive for domestic producers to invest **(1)** because of uncertainty **(1)** leading to further reductions in competitiveness **(1)** • Because of the fall in the perceived price of exports **(1)** this will increase price competitiveness **(1)** and lead to an increase in demand **(1)** **For valid evaluation of the extent of the effect (1 mark).** E.g., it will depend upon the reliance of imported raw materials. **Please use a text box to show the mark split e.g., 2,1**	**4**

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Question	Answer	Marks
1(c)	**Assess whether Mr Erdoğan's economic policies have had a beneficial impact on Turkey's economy since 2020.** **Up to 2 marks for explanation / analysis of the possible positive effects** e.g., short term interest rates have fallen, and this may lead to further investment, the year on year % CPI has flattened by the end of 2022 which may increase consumer confidence. **Up to 2 marks for explanation / analysis of the possible negative effects** e.g., food prices, transport and energy costs have increased, and these affect all consumers, the lira has collapsed in the foreign exchange market, increasing import prices etc. **Up to 2 marks for evaluation** of the relative positive and negative effects. **Reserve 1 mark** for a justified conclusion. **Please use a text box to show the mark split e.g., 2 2 1**	**6**
1(d)	**Excluding interest rate changes, assess what alternative policies might be used to reduce Turkey's rate of inflation.** **Up to 2 marks for explanation / analysis of the possible effect of one alternative policy** e, g., a reduction in money supply or tighter restrictions on credit i.e., additional monetary policy. These may successfully reduce AD due to less money being available for C or I but may reduce economic growth. **(1 mark for an explained advantage and 1 mark for an explained disadvantage)** **Up to 2 marks for explanation / analysis of the possible effect of a second alternative policy** e.g., fiscal policy to increase taxation or reduced government spending. This may reduce AD as it has a direct effect of reducing C and I but it may reduce e.g., the incentive to work as taxation increases. **(1 mark for an explained advantage and 1 mark for an explained disadvantage)** **Up to 2 marks for evaluation** that clearly assesses the likely advantages and disadvantages of these policies in comparison with each other / against interest rate changes. **Reserve 1 mark** for a valid conclusion. **Guidance:** Other possibilities include: • Use of supply side policy **Please use a text box to show the mark split e.g., 2 2 1**	**6**

Section B Microeconomics essay

Question	Answer	Marks
EITHER		
2(a)	**From 2030, the only new car production allowed in the United Kingdom (UK) will be for electric cars.** **Excluding the price of electric cars, explain the determinants of demand for electric cars <u>and</u> consider which of these determinants is likely to be of greatest significance at the present time.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** Knowledge and understanding of income, price and availability of substitutes and fashion, taste and attitudes. **For an explanation** of what is meant by the role of income, price and availability of substitutes, complements, fashion, taste, and attitudes as determinants of demand. **(1x3)** **AO2 Analysis (max 3 marks)** **For analysis** of the significance at the present time of **at least 2** of these determinants. e.g., attitudes may have a great significance because of an increased awareness of the impact on the environment. e.g., income may have a great significance if economies are in recession. e.g., if petrol prices rise leading to a fall in demand for petrol-driven cars then the demand for electric cars may rise. **Up to 2 marks for any developed point.** **AO3 Evaluation (max 2 marks)** For a clear consideration which of the determinants is likely to be the most significant **at the present time**. **Reserve 1 mark for a justified conclusion.** **Please use a text box to show the mark split e.g., 3 2 1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether cross elasticity of demand is likely to be more important in determining the demand for electric cars than income elasticity of demand .** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Explanation of what is meant by cross elasticity of demand. • The significance of the price and availability of substitute models of both petrol and electric cars and their complements e.g., petrol and charging points etc. • The weaknesses of the concept. • Explanation of what is meant by income elasticity of demand. • The significance of income in the decision to purchase an electric car including the relationship of changes in income to changes in demand. • The weaknesses of the concept. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** That clearly assesses the extent to which cross elasticity of demand is likely to be more important than income elasticity of demand in determining the demand for electric cars by comparing the significance and weaknesses of both concepts and reaches a justified conclusion. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	**12**
	AO1 Knowledge and Understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**Use a production possibility curve (PPC) diagram to explain how a government in a mixed economy might allocate more resources to consumption and less resources to investment and consider a limitation of this approach to resource allocation.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • For a fully accurate diagram that is clearly labeled as consumer goods and capital goods with the curve touching both axes. **(1)** • The diagram must show the movement from capital goods to consumer goods e.g., by means of an arrow **(1)** • Accompanied by an explanation that this is a movement along the curve (rather than a shift). **(1)** **AO2 Analysis (max 3 marks** Of how a government might allocate more resources to consumption and less to investment e.g.: • By reducing taxes on income / consumer expenditure. **(1)** • By increasing government expenditure to provide subsidies for consumers. **(1)** • By reducing government support to businesses for investment. **(1)** **(Maximum of 2 marks overall)** • **PLUS 1 mark if shown on a diagram as either a movement along the curve or shift within the curve that is clearly explained.** **AO3 Evaluation (max 2 marks)** For a clear assessment of the limitations of this approach including an assessment of time lags, the possible response of businesses and consumers etc. **Reserve 1 mark for a justified conclusion** **Please use a text box to show the mark split e.g., 3 2 1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess whether producers are the only ones to benefit when an economy decides to allocate additional resources to investment.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • For an explanation / analysis of the benefits and costs to a producer e.g., producers will benefit as additional investment is likely to reduce costs of production, make them more price competitive both domestically and internationally, increase their profits etc. Costs may include the fact that taxes may have to rise to fund the additional investment, much of the growth will be international so businesses who focus on the domestic market may not benefit. • For an explanation/ analysis of the benefits and costs to the consumer e.g., in the long term this may lead to wider choice and lower prices but in the short term, taxes may increase to fund the additional investment, there may be fewer goods available to consumers and higher prices. • For an explanation/ analysis of the benefits and costs to a government e.g., an increase in tax revenue in the long-term but an increase in expenditure in the short-term. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question **AO3 Evaluation** **For an** assessment of whether producers are the only ones to benefit from additional investment compared to consumers and the government which may depend on the level of development of economy and extent of government involvement. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C Macroeconomics essay

Question	Answer	Marks
EITHER		
4(a)	**With the help of a diagram, explain how increases in aggregate demand affect the level of real output and the price level in an economy <u>and</u> consider when such increases may become a problem.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • An understanding of the components of AD i.e., C+G+I+X-M. **(1)** • An accurately labeled AD/AS diagram showing the initial equilibrium point. **(1)** • That also shows a shift or shifts to the right of the AD curve and the subsequent changes in the price level and real GDP. **(1)** **AO2 Analysis (max 3 marks)** • For an explanation of why AD might increase. **(1)** • For an explanation of why this increase may not cause problems such as inflation e.g., because of the shape of the AS curve, because AS may increase in line with AD if the increase is due to an increase in I. **(1)** • For an explanation of why it may cause problems e.g., the economy is at full capacity and AS cannot increase. **(1)** **AO3 Evaluation (max 2 marks)** For valid evaluation e.g., a recognition that increases in AD may result in an inflationary increase in the price level beyond the full employment level of output. **Reserve 1 mark for a justified conclusion.** **Please use a text box to show the mark split e.g., 3 2 1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether increases in aggregate demand are the best way of reducing unemployment in a high-income country.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • An understanding of what is meant by unemployment and the main types in a high-income economy. • For a recognition that increases in aggregate demand arise normally from fiscal and / or monetary policy. • An analysis of how policies to increase AD e.g., by reducing taxes, increasing government spending, reducing interest rates etc., may reduce cyclical unemployment but may not reduce structural unemployment. • An analysis of how supply side policy may reduce unemployment by influencing AS e.g., through training and education, deregulation etc., but has limitations e.g., it is a long-term approach and may be costly and does not address the issue of falls in AD responsible for cyclical unemployment **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **L2 max if no reference to high-income countries** **AO3 Evaluation** For a clear assessment as to whether increases in AD compared with increases in AS are the best way to reduce unemployment in a high-income economy leading to a justified conclusion. **N.B. if no reference to a high-income country, no evaluation marks may be awarded** Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
5(a)	**Explain <u>two</u> possible causes of a change in the terms of trade in an economy <u>and</u> consider which of these causes is likely to be more important for low-income countries.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • Explanation of what is meant by the terms of trade i.e., the ratio of export price index to the import price index. **(1)** • It measures the number of exports that have to be sold to buy a given number of imports. **(1)** • Terms of trade are said to improve when the ratio increases **and / or** to deteriorate when the ratio falls. **(1)** **AO2 Analysis (max 3 marks)** • The two main causes of changes in the terms of trade occur e.g., when there is an increase in export prices and a fall in import prices. Such changes are often the result of changes in the demand for exports and the demand for imports. **(1)** • Low-income countries are more likely to export primary goods and to import manufactured goods. The demand for primary goods may be lower than that for manufactured goods when income rises, e.g., for agricultural goods, so import prices may fall and terms of trade deteriorates. **(1)** • However, commodity prices such as oil may have an inelastic demand and prices may rise leading to an improvement in terms of trade. **(1)** . **AO3 Evaluation (max 2 marks)** For evaluation that considers the significance of changes in terms of trade **for low-income countries** that are producers of food stuffs and similar products **compared** to the benefits for low-income countries that have exports of products such as minerals that are in high demand in high-income countries. **Reserve 1 mark for a justified conclusion.** **Please use a text box to show the mark split e.g., 3 2 1**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess the extent to which different tools of protection can impact on the terms of trade in an economy.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • An explanation of what is meant by tools of protection. • Explanation of the different tools of protection and how they may impact the terms of trade. • Examples include tariffs which are used to increase import prices which will reduce the terms of trade but may improve them if domestic producers including infant industries are encouraged to invest and build up demand and increase export prices. However, retaliation and inelastic PED for imports may reduce the positive impact. • Other examples include import quotas, embargoes, exchange rate manipulation etc. At least **one** additional tool should be explained and analysed in terms of its advantages and disadvantages in relation to its impact on the terms of trade. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** Evaluation must focus on the impact of the tools of protection on the terms of trade. This should lead to a justified conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** **Please use a text box to show the mark split e.g., L2 5 L1 2**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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