Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **March 2021**

MARK SCHEME

Maximum Mark: 40

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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 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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ANNOTATIONS

The following annotations are used in marking this paper.

Annotation	Use or meaning
KU	Relevant economic knowledge and understanding used to help answer the question here (see AO1).
APP	Relevant application of economic concepts to the given question or context is shown here (see AO2)
AN	Relevant economic analysis of the situation in the question is demonstrated (see AO3).
EE	Relevant, effective evaluation of the issues in the question is given here (see AO4).
✓	Correct and relevant point made in answering the question.
BOD	Benefit of the doubt given. The point has not been made quite correctly, completely or precisely, but is nearly there and the intention is clear.
^	Omission mark. A term, a label, a line on a graph, an example, etc, required to make the point correctly has been missed out of the response.
×	Incorrect point or error made.
TV	Too vague. This part of the response is not precise enough to be worth any credit.
?	The point being made is unclear or confused.
IR	Irrelevant response – this work is not helping the candidate to answer the given question.
SEEN	This work has been noted by the examiner, but there is nothing of any credit here.
highlighter	Used to indicate something of significance, or referred to by another annotation or comment.
[T] (text box)	A catch-all, when you need to give more detail or explanation. Please note that teachers who request a script can read your comments. For the Essay there may be a requirement to show part marks in a text box – see the detailed mark scheme.

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ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

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Question	Answer	Marks	Guidance
1(a)	**Calculate the rate of inflation in Japan from 2014 to the estimate in 2019.** 2.6% **(1)**	**1**	
1(b)	**With reference to Table 1.1 identify one piece of evidence that suggests that Japan has not been using an expansionary fiscal policy before 2019.** Government expenditure as a % of aggregate expenditure is falling over the period or is not increasing. **(1)** **OR** Budget deficit as a % of aggregate expenditure is falling over the period. **(1)**	**1**	
1(c)	**Explain why deflation, as experienced by Japan, discourages consumption spending.** For a clear understanding that deflation refers to a fall in the general price level **(1)** For explaining why, a fall in the general price level will discourage consumption. **(1)** **(Up to 2 marks)**	**2**	Consumption is discouraged because as the expectations of price falls takes hold consumers hold back purchases because they expect prices to fall in the future. Also, the general air of uncertainty encourages consumers to save for the future.

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Question	Answer	Marks	Guidance
1(d)	**Use a diagram to explain what you would expect to happen to the Yen : US dollar exchange rate if the Bank of Japan continued with low interest rates, 'even as other central banks around the world begin raising rates'.** For a diagram that shows either an increased supply of yen onto the forex market **(1)** as interest rates rise abroad and the change in the price of the yen and quantity traded **(1)** **or** a decrease in the demand for the yen on the forex market **(1)** as interest rates rise abroad and the change in the price of the yen and quantity traded **(1)** **(Up to 2 marks)** For an accompanying explanation of reason for the shift shown (either an increased supply of yen or reduced demand for yen) **(1)** and a conclusion that it would be expected that the yen would depreciate (or fall) **(1)** **(Up to 2 marks)**	**4**	The diagram should be correctly labelled and show a change in the exchange rate and a change in the quantity traded. There must be some accompanying explanation for full marks.

Question	Answer	Marks	Guidance
1(e)	**Discuss how continuing with an expansionary monetary policy is expected to boost inflation and consider whether it is likely to be successful.** For clear understanding of the meaning of expansionary monetary policy. **(1)** For an explanation of how this might stimulate aggregate demand and 'boost inflation' (Up to 2 marks for each component of aggregate demand that is considered) **(Up to 3 marks)** For evaluative comment on whether this is likely to be successful. **(Up to 2 marks)**	**6**	An expansionary monetary policy means cutting interest rates and/or increasing the money supply. We allow quantitative easing as expansionary monetary policy. It is expected that this will stimulate investment and/ or consumption and this will stimulate aggregate demand and might increase prices. It might also lead to a fall in the exchange rate and an increase in net exports. This might not work for a number of reasons. For example, investment might be unresponsive to interest rate changes. The table also shows that despite loose monetary policy over the period, investment has stayed relatively stable. This could contribute to a conclusion.
1(f)	**Discuss whether increases in government spending can offset risks to Japan's economy if a downturn in foreign economies occurs.** For an explanation of the risks to Japan's economy if a downturn in foreign economies occurs. **(Up to 1 mark)** For an explanation of how fiscal policy could be used to offset risks to the economy of Japan **(Up to 3 marks)** For evaluative comment that reaches a reasoned conclusion **(2 marks)**	**6**	If there is a downturn in foreign economies Japan would experience falling exports and this would decrease aggregate demand. This would result in falling incomes and unemployment. Increased government spending could be adopted to boost domestic demand if world trade falls. It could also be used to offset the impact upon consumption of the sales tax rise that is planned in October.

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Question	Answer	Marks	Guidance
2(a)	**Use production possibility curve diagrams to explain the effect on an economy's output of** **(i) increased use of its existing labour, and** **(ii) an increased availability of natural resources** For **knowledge and understanding** of a production possibility curve and **application** to show an increased use of its existing labour**.** For a diagram of a PPC with appropriately labelled axes **(1)** showing a movement from a point within a PPC to a point on or nearer to the PPC curve **(1)** For an explanation of how an improved utilisation of resources results in the change shown **(Up to 2 marks)** **(Up to 4 marks)** For **knowledge and understanding** of a production possibility curve and **application** to show an increased availability of natural resources**.** For a diagram of a PPC with appropriately labelled axes **(1)** showing a shift outward of the curve **(1)** For an explanation of how an increased availability of natural resources results in the change shown **(Up to 2 marks)** **(Up to 4 marks)**	**8**	An increased use of existing labour will lead to a fall in unemployment, and this will result in increased total output as the point within the curve moves closer to the production frontier. There is improved utilisation of labour resources. An increased availability of natural resources will increase the potential output of the economy. It is also likely that total output will rise.

Question	Answer	Marks	Guidance
2(b)	**Discuss the view that supply side policies to increase the supply of labour to an economy are likely to be more successful than those designed to increase the supply of entrepreneurship.** For **analysis** of **at least two** supply side measures that are designed to increase the supply of labour to an economy. If only one measure considered then 3 maximum **(Up to 4 marks)** For **analysis** of **at least two** supply side measures that are designed to increase the supply of entrepreneurship to the economy. If only one measure considered then 3 maximum **(Up to 4 marks)** For **evaluative comment** on which policies are likely to be successful **(3)** that reaches a reasoned conclusion **(1)**	**12**	Supply of labour: Training to enter the labour force, relaxation of immigration controls, reduction of income taxes, raising of the retirement age etc. Supply of entrepreneurship: Training in management skills, reduction in business taxes, subsidies, start-up grants etc

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Question	Answer	Marks	Guidance
3(a)	**Explain how you would use the concept of cross-elasticity of demand to measure the impact on the demand for cars when there is a rise in the price of fuel for cars and when there is a rise in the price of public transport.** For **knowledge and understanding** of cross elasticity of demand. What it measures **(1)** Formula **(1)** **(Up to 2 marks)** For **application** using the concept to explain the impact of a rise in the price of petrol on the demand for cars • For stating that since cars and fuel are complements the coefficient will be negative **(1)** • For explaining why a negative coefficient will result when there is a rise in the price of fuel **(1)** • For explaining that the impact will be greater and the coefficient will be higher the closer the relationship **(1)** **(Up to 3 marks)** For **application** using the concept to explain the impact of a rise in the price of public transport on the demand for cars • For stating that since cars and public transport are substitutes the coefficient will be positive **(1)** • For explaining why a positive coefficient will result when there is a rise in the price of public transport **(1)** • For explaining that the impact will be greater and the coefficient will be higher the closer the relationship **(1)** **(Up to 3 marks)**	**8**	

Question	Answer	Marks	Guidance
3(b)	**A government is deciding whether to impose import controls to protect its car manufacturing industry.** **Discuss the factors that should be considered in this decision, and whether these import controls can be justified.** For **analysis** of the possible reasons for protection of the car industry **(Up to 4 marks)** For **analysis** of the factors that should be considered **(Up to 4 marks)** **(8 marks maximum)** For **evaluative comment (Up to 3 marks)** and **1 mark** for a conclusion	**12**	Possible reasons include: to save jobs, protect infant industries, prevent dumping, protect the current account of the balance of payments etc. Factors that should be considered include: whether the industries are really infant industries, whether the charge of dumping can be justified etc.

Question	Answer	Marks	Guidance
4(a)	**Explain what is meant by equilibrium price and quantity in the market for a good and how price and quantity will be affected by both a rise in the wage rate paid to the workers producing the good and a rise in wages paid to all workers in the economy.** For **knowledge and understanding** of the meaning of equilibrium price and quantity. • For **knowledge** that this occurs in a market where supply is equal to demand **(1)** • For **understanding** that equilibrium price and quantity is when there is no tendency to change **(1)** **(Up to 2 marks)** For **application** showing the impact of a rise in the wage rate • For a diagram (or explanation) showing a shift in the supply curve to the left **(1)** • For an explanation of why this will occur in terms of the rise in costs **(1)** • For explaining (or illustrating) that the equilibrium price will rise and the equilibrium quantity will fall **(1)** **(Up to 3 marks)** For **application** showing the impact of a rise in the wages in the economy in terms of a shift in the demand curve to the right • For a diagram (or explanation) showing a shift in the demand curve to the right (or left in the case of an inferior good) **(1)** • For an explanation of why this will occur in terms of the rise in incomes **(1)**	**8**	

Question	Answer	Marks	Guidance
4(a)	• For explaining (or illustrating) the change in the equilibrium price and the equilibrium quantity depending upon the type of good chosen **(1)** **(Up to 3 marks)** **(8 marks maximum)**		
4(b)	**Discuss whether government policies to influence the free market price for a good can ever improve the allocation of resources in that market.** For **analysis** of **at least two** policies to influence the free market price for a good. If only one measure considered then 3 maximum. **(Up to 4 marks)** For analysis that considers the advantages and disadvantages of using these policies. **(Up to 4 marks)** For **evaluative comment** on whether the policies 'can ever improve' the allocation of resources **(Up to 3 marks)** and **1 mark** for a conclusion	**12**	Policies include maximum and minimum prices, indirect taxes, subsidies, information campaigns etc. The advantages and disadvantages must relate to the policies chosen. For example, maximum prices might lead to shortages, subsidies might be very expensive as might information campaigns.

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