Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **October/November 2023**

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.

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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).

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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
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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.

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).

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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)

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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.
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- 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.

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.

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

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)	**Using the data in Table 1.1, calculate the expected growth in Taiwan's real GDP in 2021, based on the latest forecast.** • Expected growth in Taiwan's real GDP in 2021 is 4.6% minus 1.3% = 3.3% **(2)** • If a candidate correctly shows the method, i.e. 4.6% minus 1.3%, but makes an incorrect calculation, one mark can be awarded. **(1)** • OR if a candidate states nominal GDP growth – CPI increase = real GDP growth **(1)**	**2**
1(b)	**State two internal causes of economic growth for Taiwan in 2021 and consider which of these is more likely to generate long-term economic growth.** • Identification of capital investment. **(1)** • Example of capital investment by Taiwan producer of US$28 billion leading to faster economic growth (needs to refer to figure to gain the second mark). **(1)** • Identification of growth in consumption expenditure. **(1)** • Consumption expenditure is forecast to grow by 3.7% in 2021, the fastest growth in 17 years, leading to faster economic growth (needs to refer to the 3.7% growth figure to gain the second mark). **(1)** **(Max 3 marks)** **Evaluation** Offers a valid judgement on which of these causes is more likely to generate long-term economic growth. **(1)**	**4**
1(c)	**Explain why the Taiwan dollar appreciated in 2020.** Explanation linking the appreciation of the currency to: • an increase in the demand for exports/an increase in the trade surplus **(1)** • and therefore the need to be in possession of Taiwan dollars in order to buy these exports. **(1)** **(Up to 2 marks)**	**2**

Question	Answer	Marks
1(d)	**Assess whether the effects of the appreciation of the Taiwan dollar on the terms of trade will benefit all industries in Taiwan.** **Up to 4 marks for explanation/analysis:** Explanation of the terms of trade in relation to the ratio of average export prices to average import prices. **(1 mark)** The impact of the appreciation of the Taiwan dollar will be to make exports from Taiwan more expensive and imports into Taiwan less expensive. **(Up to 3 marks)** **Guidance:** A max of 2 marks if only the effect on exports or imports is assessed. **Up to 2 marks for evaluation:** Relevant evaluation of whether the effects of the appreciation of the Taiwan dollar on the terms of trade will benefit all industries in Taiwan, taking into account the potential impact of higher export prices and lower import prices on different industries **(1)** to reach a conclusion. **(1)**	**6**
1(e)	**Assess the possible consequences of a higher rate of economic growth for an economy such as Taiwan.** **Up to 4 marks for explanation/analysis:** • **Positive consequences:** Explanation/analysis that a higher rate of economic growth will lead to increased expenditure, such as on education and health care. Explanation extended to other possible consequences, such as in relation to a higher standard of living, more jobs, higher incomes and less poverty. **(Up to 2 marks)** • **Negative consequences:** Explanation/analysis that a higher rate of economic growth would increase pressure on available resources which could have possible negative environmental effects, such as in relation to congestion and pollution. **(Up to 2 marks)** **Up to 2 marks for evaluation:** Relevant evaluation which weighs up the consequences on both sides **(1)** to reach a conclusion on the likely overall effect. **(1)**	**6**

Question	Answer	Marks
EITHER		
2(a)	**With the help of a diagram, explain what could cause an increase in demand for a product <u>and</u> consider whether the impact of an increase in demand on the price of the product will be the same in the short run and the long run.** 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 demand for a product, shown through an accurate diagram, with correctly labelled axes **(1)**, correctly labelled demand and supply curves and a correctly labelled shift of the demand curve to the right **(1)** and with equilibrium positions in terms of both price and quantity clearly shown or a movement from E1 to E2. **(1)** **AO2 Analysis (max 3 marks)** Uses the diagram to explain what could cause a shift of the demand curve to the right for a product and analyses the causes of an increase in demand for a product. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether the impact of an increase in demand on the price of the product will be the same in the short run and long run **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	**Assess whether price elasticity of demand (PED) or income elasticity of demand (YED) is likely to be of greater importance to a firm producing cars.** 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 the meaning and formula of PED. • An understanding of the meaning and formula of YED. • An analysis of how each of these concepts can be applied to the specific context of a firm producing cars. **Guidance:** A clear comparison of the strengths and weaknesses of these two concepts in the context of car production needed to get into Level 3. **(Up to 8 marks)** **AO3 Evaluation** • PED should be easier for a firm to calculate than YED. • PED will indicate whether price should be increased or decreased. • However, a firm will need to take into account the availability of substitutes, the amount spent on the product and the time period under consideration. • YED will be helpful in giving a firm an indication of the extent to which a change in income may affect spending on cars. • However, a firm will need to take into account whether a car is seen as a normal or an inferior good, the proportion of income that is spent on the car and whether an economy is experiencing an upturn or a downturn. • In conclusion, PED is likely to be of greater importance than YED, but YED will still be of some use. Accept all valid responses. **(Up to 4 marks)**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**Explain why a government might decide to increase its direct provision of essential goods and services <u>and</u> consider whether such a policy is always likely to be successful.** 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 role of the state in providing essential goods and services, such as merit goods **(1)**; these could include education and health care **(1)** and they could be financed out of money received from taxation. **(1)** **Guidance:** Allow expenditure by a government on items such as food and shelter. **AO2 Analysis (max 3 marks)** Up to 2 marks for explaining **each** essential good or service that a government might decide to increase the direct provision of. **Max: 3 marks** **Guidance:** 2 marks for each well-explained essential good or service provided by the state and 1 mark for each essential good or service provided by the state with limited explanation. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether an increase in a government's direct provision of essential goods and services will always be likely to be successful in achieving its objectives in an economy **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Governments sometimes fix maximum prices on goods for different reasons.** **Assess whether the use of a maximum price is always advantageous.** 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 **advantages** of a maximum price might include: • The price of certain products, such as essential foods, can be limited by the establishment of a price ceiling. • The effect of this will be to make such items more affordable to people. • This will reduce the extent of poverty in a country. The **disadvantages** of a maximum price might include: • The impact of the maximum price will be to create a situation of excess demand in the market (this needs to be clearly explained). • This could lead to queuing or rationing. • It could lead to the creation of a black or illegal market. **(Up to 8 marks)** **AO3 Evaluation** • Consideration of the relative balance of advantages and disadvantages of the policy. • Consideration of the impact of this policy on producers and consumers. • In conclusion, consideration of whether the policy will be effective and always advantageous. Accept all valid responses. **(Up to 4 marks)**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	**Explain the reasons why governments impose taxes and consider whether an increase in income tax is fairer than an increase in sales taxes.** 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 clear understanding of the various possible reasons why governments impose taxes. **AO2 Analysis (max 3 marks)** Analysis of the distinction between a direct tax, such as income tax, and an indirect tax, such as a sales tax, with appropriate reference to fairness. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether an increase in income tax is fairer than an increase in sales taxes **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether a government should always aim to balance its budget rather than have a budget surplus or a budget deficit.** 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 meaning of a **balanced budget**. • The significance of a balanced budget. • The meaning of a **budget deficit**. • Link to expansionary fiscal policy. • Explanation in relation to such aims as reducing the level of unemployment or increasing the rate of economic growth in an economy. • The meaning of a **budget surplus**. • Link to contractionary fiscal policy. • Explanation in relation to such aims as reducing the rate of inflation or the size of the trade balance through a reduction of imports. **(Up to 8 marks)** **AO3 Evaluation** • Consideration of which fiscal position is appropriate for particular macroeconomic problems. • In conclusion, which approach will be better for particular economic situations. Accept all valid responses. **(Up to 4 marks)**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**Explain the difference between an import tariff and an import quota <u>and</u> consider why a government would choose an import tariff rather than an import quota as a tool of protection in international trade.** 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)** The meaning of an import tariff as a tool of protection. **(Up to 2 marks)** The meaning of an import quota as a tool of protection. **(Up to 2 marks)** **(Max 3 marks)** **AO2 Analysis (max 3 marks)** An explanation of the various advantages and disadvantages of an import tariff as a tool of protection in international trade. **(Up to 2 marks)** An explanation of the various advantages and disadvantages of an import quota as a tool of protection in international trade. **(Up to 2 marks)** **Max 3 marks** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on why a government would choose an import tariff rather than an import quota as a tool of protection in international trade **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess whether the theories of absolute and comparative advantage are substantially undermined by their various limitations.** 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 theory of absolute advantage. • The theory of comparative advantage. • How these theories could be used in the real world. • The **assumptions** underlying these theories, such as in relation to only two products being traded, the existence of perfect competition in both product and factor markets, no transport costs, production subject to constant returns to scale and no restrictions on trade. • The **limitations** of these theories, such as in relation to the fact that trade will involve more than two products, perfect competition will not apply to all markets, there will costs of transport, producers may experience economies of scale, reducing the costs of production, and there may well be trade restrictions in different parts of the world in the form of different methods of trade protection. **(Up to 8 marks)** **AO3 Evaluation** • Considers the various assumptions of the theories • In conclusion, are the theories substantially undermined by their various limitations? Accept all valid responses. **(Up to 4 marks)**	**12**
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AO2 Analysis

- Examine economic issues and relationships, using relevant economic concepts, theories, and information.
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- Explain the impacts and consequences of changes in economic variables.

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- 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**

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

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Using the data in Table 1.1, calculate the percentage change in the average real global price of oil between 2014 and 2020**. • For an answer which clearly states the change is –57.4 **% (2)** • For an answer that simply states a change of 57**.**4 % **(1)** and indicates this is a fall/decrease in the average real global price of oil **(1)** • For an answer that states the price has fallen and does not provide an accurate figure **(1 maximum)** **Guidance** Allow figures between 57% and 58%. Do not accept a negative value unless the answer is within –57% and –58%	**2**
1(b)	**Explain why the price of oil on the world market fell in 2020.** The pandemic/increased demand for electric cars led to a fall in demand for oil products **(1)** so the demand curve shifted to the left/this led to a surplus so producers were forced to reduce prices to sell **(1).**	**2**

Question	Answer	Marks
1(c)	**With the help of a diagram, explain why the supply problem referred to may lead to increases in the price of electric cars in the future and consider <u>one</u> policy that may be used to overcome this supply problem.** The shortage of lithium may be caused by a fall in its supply or an increase in its demand (not matched by an increase in its supply). For an accurate supply and demand diagram showing the effect on the price of lithium and/or the price of electric cars due to either of these changes **(1)** explaining that this will add to the cost of production of electric cars **(1)** and therefore increase the price of electric cars **(1).** **IF** an accurate supply and demand diagram is drawn to illustrate the increase in the price of electric cars without any reference to the price of lithium and its importance as a cost of production then **1 mark MAX.** Clearly there are several potential valid policies, but these **must** clearly address the problems identified in the data i.e., a worldwide shortage in the supply of **lithium** needed for car batteries in electric vehicles. Evaluation **must** therefore focus on increasing the supply of lithium and **not** electric cars and methods may include: • R and D into alternative raw materials other than lithium or improve its extraction • Tax and subsidy incentives to increase R and D • Tax and subsidy incentives to increase the number of lithium mines. Identify and explain valid policy and briefly explain how that this might overcome the problem of a lack of lithium **(1)** **<u>Guidance</u>** Any valid way should be rewarded but it must clearly relate to the problems identified in the data and explain how the problem may be overcome for full marks.	**4**

Question	Answer	Marks
1(d)	**Explain whether unemployment caused by the diversification of petrostates away from oil and gas production is likely to be cyclical or structural and assess which type of unemployment is likely to be more damaging to these economies.** **Up to 4 marks for the explanation/analysis** For explaining that the potential unemployment in this situation is likely to be structural and why **(1)** For analysis and comparison of the problems caused by **both** cyclical **and** structural unemployment (maximum of 2 marks if only one type of unemployment is considered) **(3)** That leads to **Up to 2 marks for evaluation – these can only be awarded for relevant analysis of the problems.** • **Must** be related to issues faced by petrostates. • Which must compare the problems of both types of unemployment within such economies? • Reaches an overall and justified conclusion about which type of unemployment would be most damaging for these economies. **Guidance** The explanation, analysis, and evaluation should consider both types of unemployment and points to consider may include: • Structural unemployment is likely to be caused by problems within the supply side whereas cyclical unemployment is caused by a lack of AD in the economy. • Long and short run impacts • The ease of curing the different types of unemployment • The potential costs to an economy	**6**

Question	Answer	Marks
1(e)	**Assess whether diversification is likely to be more successful in Venezuela or Saudi Arabia as they reduce their dependence on oil production.** **Up to 4 marks for the explanation/analysis** Answers should analyse the extent of the likely success of diversification for **both** economies. • Up to 3 marks for valid analysis for Venezuela • Up to 3 marks for valid analysis for Saudi Arabia **(with a maximum of 4 marks overall)** If the answer is just a generalised discussion of the impact of diversification without any valid reference to Venezuela or Saudi Arabia, then a **maximum of 1 mark** **Up to 2 marks for evaluation** • that considers why the success of diversification may differ in **each** case. • and reaches a justified conclusion as to which country's economic growth is most likely to be impacted. **Guidance** Clearly, according to the extract, the common problem for both economies is the forecast fall in oil demand led by the need to reduce carbon emissions and deal with climate change. However, as the data also makes clear, the impact of this will be different for countries such as Saudi Arabia and countries such as Venezuela, and the analysis and evaluation must refer to these differences for full marks. Points to consider from the extract may include: • The relative wealth and access to both internal and external capital • The relative focus on short- and long-term growth • The relative ease of diversifying e.g., Saudi Arabia has already begun investing in renewable energy and tourism, whereas Venezuela is suffering high rates of emigration and lacks the funds to do so. • The possible difference in the willingness of other economies to offer the needed support to Saudi Arabia and Venezuela respectively and the possible difference in the receptiveness to any aid offered.	**6**

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Section B

Question	Answer	Marks
EITHER		
2(a)	**With the help of a formula, explain what is meant by the term price elasticity of demand for a product and consider the extent to which it allows an entrepreneur to determine the effect of price changes on the total expenditure on their product.** 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 the meaning of price elasticity of demand **(1)** plus an accurate formula **(1)** plus a clear understanding of what is meant by price elastic and price inelastic that refers to relative proportionate or percentage changes rather than large or small changes **(1)** **AO2 Analysis (max 3 marks)** **Up to 2 marks** for clear analysis of how total expenditure on a product is affected by price changes if the demand is price elastic. **Up to 2 marks** for clear analysis of how total expenditure on a product is affected by price changes if the demand is price inelastic. **Note:** as the question refers to price changes it is expected that answers should consider both price increases and price decreases. If either part of the analysis only considers a price rise **or** a fall, then **a maximum** of 1 mark for that part of the analysis. If both parts of the analysis consider a price rise or fall then a **maximum** mark of **2** i.e., **1 + 1.** **AO3 Evaluation (max 2 marks)** **Up to 2 marks** for considering the **extent** to which the concept can help the entrepreneur and making a judgement. • Consideration of the accuracy of the measure and the ease of calculation for an entrepreneur • Consideration of other factors which may affect total expenditure on a product when price changes. • Reserve **1** mark for a conclusion that focuses on the extent to which it allows the entrepreneur to determine the effect of price changes.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	**Assess whether the concept of price elasticity of supply or cross elasticity of demand will be the more useful to a business wanting to increase its total sales in a growing 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 the concept of price elasticity of supply may explain its use in increasing a business' total sales by examining the following. • Usefulness depends on the type of goods and whether decisions need to be made in the short run or long run. • It may help businesses with regards to stock holding and decisions about which products to focus on • It may help businesses make decisions about productive capacity and whether e.g., to invest in new technology **BUT** • It depends on the accuracy of the data used to produce the value. • This may change over time and the value may have little value in a growing economy. • Some products, such as agricultural/perishable products, will naturally have a more price inelastic supply and knowledge of the value may have little use. Analysis of the concept of cross elasticity of demand may explain its use in increasing a business's total revenue by examining the following. • It will mean the business understands the relationship between its product and others i.e., whether they are complements or substitutes. • It also measures the closeness of the relationship and informs decisions about how quickly and the extent to which it should react for example if a competitor changes its prices. • It should assist a business to develop a pricing strategy that maximises opportunities to generate more sales **BUT** • The usefulness depends on the accuracy of the data and in a growing economy, it may not be possible to keep the value up to date. It is therefore often dependent on estimates that may be inaccurate. • Businesses may not be able to act on the data by changing prices if their cost structure cannot be easily changed. • Other variables other than cross elasticity of demand may be more important for example non price determinants such as brand loyalty. **Better answers will refer directly/implicitly to their usefulness to a business operating in a growing economy. Answers which do not are unlikely to gain more than L3 lower band.** **One sided response i.e., those that only consider one concept or do not analyse the problems of at least one concept will not gain beyond L2.**	**12**

Question	Answer	Marks
2(b)	**AO3 Evaluation** • Consideration of the likely effectiveness of both measures in increasing total sales in a growing economy that assesses which is most likely to be effective. If there is no direct/implicit reference to a growing economy, **then L1 upper maximum.** • Candidates may consider an alternative concept e.g., YED to assess whether sales would actually grow in these circumstances, • A justified conclusion which is most likely to be effective. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**With the help of examples, explain the difference between free goods and public goods <u>and</u> consider the view that public goods can never be provided in a market 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)** Free goods are not scarce and have zero opportunity cost/no prices as no factors of production are required to produce them **(1)** Public goods have two main characteristics of non-excludability **and** non-rivalry with a brief explanation of both terms **(1)** Provide accurate examples of both e.g., fresh air **and** street lighting respectively **(1)** **AO2 Analysis (max 3 marks)** Explanation of why each of the two characteristics of public goods lead to the free rider problem (**1 + 1)** and why this makes it impossible/unrealistic to charge a price for them so the market economy would not supply them and therefore they must be provided by the government **(1)** **AO3 Evaluation (max 2 marks)** • Consideration of the view that pure public goods can never be provided in a market economy unless they are directly funded by the government **(1)** • **Or** could be considered to be quasi or semi-public goods in which case a price could be charged, and they could be provided by a market economy **(1)** • Reserve one mark for a justified conclusion **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**The provision of merit and demerit goods differs from the provision of other private goods.** **Assess the view that the consequences of imperfect information are more serious in a market economy than in 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** • An analysis of how private goods (which include merit and demerit goods) are allocated within an economy through the demand and supply mechanism. • An explanation of the existence of imperfect information with respect to merit **and** demerit goods and the associated problems of under **or** overconsumption. • An explanation of how this is likely to lead different methods of allocation for both merit and demerit goods than for other private goods, (how other private goods are allocated and how this differs from the provision of merit and demerit goods and any other problems that may be associated with their allocation.) • Analysis should consider the consequences of imperfect information in **both** a market **and** a mixed economy for the provision of merit and demerit goods compared to other private goods. • **Answers which do not compare the provision of merit/demerit goods in both a market economy and a mixed economy cannot gain more than L2**. **AO3 Evaluation** Points to consider include. • Merit goods and demerit goods need government intervention because of the issues of under and over consumption due to imperfect information, so the market economy fails to operate efficiently. • Other types of private good can be efficiently provided by the market economy without government intervention but the process of allocation may mean e.g., low-income groups do not have the same access to certain goods. • **Leading to** a justified conclusion answering the question of whether the consequences of imperfect information are more serious in a market economy than a in mixed economy. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C

Question	Answer	Marks
EITHER		
4(a)	**Explain the difference between the terms of trade and the balance of trade in goods <u>and</u> consider whether an economy should be more concerned about its terms of trade than its balance of trade in 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)** The term of trade is a numerical measure of the relationship/ratio between export and import prices **(1)** with an accurate formula showing the measure as an index **(1)** whereas the balance of trade in goods measures the revenue earned from exports of **goods** minus the expenditure on imports of **goods (1)** **AO2 Analysis (max 3 marks)** Analysis must consider issues concerning both the terms of trade and the balance of trade in goods. These may include: • Up to **2 marks** for an analysis of the effects of changes to the terms of trade e.g., relative change in competitiveness, increase in cost-push inflation, effects on balance of trade in goods and services. • Up to **2 marks** for an analysis of the effects of changes to the balance of trade e.g., an increase in the demand for exports ceteris paribus may lead to an increase in the balance of trade, impact on employment levels, economic growth, inflation. • **MAX 3 marks overall** **AO3 Evaluation (max 2 marks)** Evaluation should use **relevant analysis** to consider the importance of **both** measures and make a judgement as to which one may be of most concern to an economy **(1)**. Reserve one mark for a justified conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**Assess whether a rise or a fall in the terms of trade will benefit the macroeconomic performance of an open economy that is heavily dependent on international trade.** 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** Better answers will examine the impacts on the wider economy i.e., employment, price stability, economic growth as well the on the current account. Reference will also be made to the dependency on international trade. **For a rise in the terms of trade:** • This may lower inflation if raw material import prices are lower. • Depending on price elasticity of demand, it may lead to economic growth if the income earned from exports increases and a boost to employment. • It may however lead to lower economic growth if it leads to a current account deficit. **For a fall in the terms of trade:** • Exports may be boosted, and this may lead to higher economic growth. • It may reduce a current account deficit. • It may however be a sign of a weak economy with exports that are less in demand and therefore lead to lower economic growth. • If imports are price inelastic, this may lead to import cost-push inflation if the economy is highly dependent on imported goods. • **Answers which do not refer to the heavy dependence on international trade cannot gain more than L2.** • **Answers which only refer to a rise or a fall in the terms of trade cannot gain more than L2.** • **At least one negative effect in addition to positive effects (either for a rise or a fall in the terms of trade) should be considered within the analysis to gain lower L3.** **AO3 Evaluation** • Evaluation should consider both price elasticity of demand for exports and imports and the dependency on international trade. **N.B. reference to the Marshall-Lerner condition may be rewarded but must not be expected as that is an AL topic.** • The benefits and drawbacks of both a rise in the terms of trade and a fall in the terms of trade should be carefully considered and compared to form a judgement about their impact on the wider economy. • This should lead to a considered conclusion about which is **more likely** to be of benefit. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**

Question	Answer	Marks
4(b)	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**With the help of a diagram(s), explain one reason for an increase in aggregate demand and one reason for an increase in aggregate supply <u>and</u> consider whether an increase in aggregate demand will always lead 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)** Aggregate demand is the total demand for an economy's goods and services at a given price level/it is the total of C + I + G +(X-M) **(1)** Aggregate supply is the total output that producers in an economy are willing and able to supply at a given price level **(1)** An accurate diagram showing AD and AS curves **(1)** **AO2 Analysis (max 3 marks)** Analysis must explain a valid cause of an increase in AD **(1)** and a valid cause of an increase in AS **(1)** and show these increases by rightward shifts in **both** curves **and** the resultant impacts on the price level on an accurate diagram **(1)** **AO3 Evaluation (max 2 marks)** Whether an increase in AD will always lead to an increase in the price level (inflation) will depend on the increase in AS and/or the shape of/position on the AS curve **(1)**. This must be clearly explained, and reserve one mark for a valid judgement **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess whether the internal effects of inflation are more serious than the external effects of inflation for 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** The internal effects of inflation are those which affect the domestic economy directly and may include: • Income redistribution • Menu costs (or the costs to firms of having to change their prices frequently) • Shoe leather costs (or the inconvenience of having to hold smaller quantities of cash/searching for the best rate of interest) • Uncertainty in transactions • But also, may provide a stimulus for output and be a sign of economic growth. The external effects of inflation are those which affect its international trade and may include. • Declining price competitiveness of exports and increased competitiveness for imports • This may increase the current account deficit. • May lead to a depreciation of the exchange rate. • Uncertainty in international transactions • But also, depending on price elasticity of demand, it may boost revenue from exports plus it will improve the terms of trade and may be a sign of increased demand for its goods and further stimulate output. • Both internal and external effects need to be considered to gain more than L2. • One positive effect (in addition to negative effects) only for internal **or** external can gain low L3. • Positive effects **and** negative effects analysed for **both** internal **and** external can gain top L3. **AO3 Evaluation** • Consideration of both the internal and external effects of inflation for an economy • An assessment of which effects are likely to be the most serious. • A justified conclusion as to which effect is likely to be the most serious. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**

Question	Answer	Marks
5(b)	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **October/November 2023**

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.

Cambridge International is publishing the mark schemes for the October/November 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

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**

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)	**Explain the meaning of 'negative economic growth'.** • It is a decrease/fall in national income/output (**1)** as measured by: • GDP/RGDP/GNP **(1)** • A movement within a correctly labelled PPC (if drawn) or a shift within it (**1)**	**2**
1(b)	**Which country shown in Fig. 1.1 experienced the most severe recession in 2020? Justify your answer.** • UK (**1)** because • It had the biggest percentage fall in GDP (1) • The other three economies performed consistently better than the OECD average **(1)**	**2**
1(c)	**State <u>two</u> likely economic reasons why China experienced strong economic growth starting in the second quarter of 2020 and consider which of these is likely to have generated the greater rate of growth.** Plausible reasons could include: • The increased demand for exports of PPE **(1)** • First to experience Covid and therefore the first to recover from it due to e.g., the speed of enforcing lockdowns. **(1)** • Successful government policies – one mark per stated policy e.g., fiscal, and monetary policies **(1)** Up to two marks for explaining why one of the stated reasons is likely to have generated the greatest growth. **(1+1)**	**4**
1(d)	**Assess how economic recovery is likely to have affected employment and price stability in China.** **Up to 4 marks for explanation/analysis:** • How a recovery may increase the components of AD i.e., C + G + I + X – M and how this may increase the level of employment **(up to 2 marks)** • The possible impact on price stability which will depend on e.g., the position on the AS curve, the possibility of cost-push inflationary pressure **(up to 2 marks).** **Up to 2 marks for evaluation:** • The effects on employment and price stability will depend on the speed and the size of the recovery **(1)** • For a justified conclusion **(1)**	**6**

Question	Answer	Marks
1(e)	**Assess whether monetary policies are the best way for high-income countries such as the US and the UK to produce an economic recovery.** **Up to 2 marks for an analysis of the uses of monetary policy:** • An explanation of what monetary policy consists of • How an expansionary monetary policy can be used to produce an economic recovery based on an increase in AD e.g., through reducing interest rates, increasing money supply e.g., through relaxing credit restrictions. • Increasing price competitiveness of exports due to a fall in the exchange rate. **Up to 2 marks for an analysis of the drawbacks of monetary policy:** • Expansionary monetary policy may cause inflation. • It depends upon consumer and business confidence and receptiveness towards reductions in interest rates. • The possible effects on the cost of imports due to a fall in the exchange rate. • Impact of time lags. **Up to 2 marks for evaluation:** • The degree of interest sensitivity on components of AD • The impact of such policies is uncertain. • Possible use of alternative policies • Reserve 1 mark for a justified conclusion	**6**

Question	Answer	Marks
EITHER		
2(a)	**The price elasticity of supply (PES) for a new smartphone is estimated to be 0.8 in the short run and 1.8 in the long run.** **Explain what these estimates mean for producers and consumers of smartphones <u>and</u> consider why the estimates differ.** 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)** Meaning of price elasticity of supply **(1)** an accurate formula **(1)** an explanation of what is meant by elastic/inelastic based on the responsiveness of changes in supply to changes in price **(1).** **AO2 Analysis (max 3 marks)** Analysis of why the values may differ due to e.g., the time period, level of stock, changes in the production process etc. Up to **2 marks** for each reason explained. **Maximum of 3 marks overall** **AO3 Evaluation (max 2 marks)** An assessment as to why the impact on consumers and producers may differ according to these different estimates e.g., on availability, pricing and investment decisions.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	**Assess whether knowledge and understanding of price elasticity of demand (PED) or cross elasticity of demand (XED) is likely to be more useful to a producer of smartphones.** 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 benefits of using PED for a smartphone producer e.g., for raising / decreasing the price to maximise revenue. • Analysis of the limitations of the use of using PED e.g., the figures are only estimates and may change over time. • Analysis of the benefits of using XED for a smartphone producer e.g., to determine whether it is a complement or a substitute for a product produced e.g., by a different business to enable it to react to competitor pricing decisions. • Analysis of the limitations of using XED e.g., other factors may have a greater influence e.g., brand loyalty to a competitor. If limitations of only one measure are analysed then L3 mid-point maximum. If only one measure is analysed or no reference to smartphone producers then L2 maximum. **AO3 Evaluation** • Assessment of whether PED or XED is more useful to the producer. • Need to use other sources of information in decision-making – e.g., YED. • Justified conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**Explain why the provision of bus and local rail (mass transit) services in cities is classified as a private good and not a public good <u>and</u> consider why such services might only be provided by the private sector.** 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 excludability/non excludability **(1)** • Explanation of what is meant by rivalry/non rivalry **(1)** • Correct application to private and public goods **(1)** **AO2 Analysis (max 3 marks)** • Why is a mass transit service a private good with reference to both characteristics and therefore only provided by the private sector? **(up to 2 marks)** • Why is a mass transit service not a public good with reference to both characteristics and therefore not provided by the public sector? **(up to 2 marks)** **AO3 Evaluation (max 2 marks)** • Assessment of whether a mass transit service might only be provided by the private sector with 1 mark reserved for a justified conclusion.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Assess whether bus and rail (mass transit) systems in cities should receive substantial subsidies from governments.** 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 a subsidy (reward accurate diagrams if provided but these are not necessary) with reference to the impact on price and quantity. • Likely advantages of a subsidy for mass transit systems e.g., it can be considered a merit good that helps lower income families, improves labour mobility, reduces road congestion, and improves air quality/reduces the use of private cars which may be considered to be a demerit good. • Likely disadvantages of subsidies e.g., opportunity cost, poor decisions as a result of information failure, government inability to provide funding etc. • If only 1 sided answer i.e., only advantages or disadvantages are discussed, then L2 maximum. **AO3 Evaluation** • For an evaluation of the relative importance of the advantages **and** disadvantages of subsidies that leads to a justified conclusion Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	**With reference to a country that is known to you, explain the main causes of unemployment <u>and</u> consider which of these causes is most significant.** 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 understanding of what is meant by/a definition of unemployment **(1)** • For an understanding of what is meant by at least **two** types of unemployment **(2 × 1)** **AO2 Analysis (max 3 marks)** An analysis of the causes of these **two** types of unemployment and their significance applied to a named country known to the candidate. **(up to 3 marks)** **Note:** If only **1** type of unemployment is analysed then **2 marks maximum.** If there is no named country, then **1 mark maximum.** **AO3 Evaluation (max 2 marks)** For an evaluation of which cause is the most significant in the named country leading to a justified conclusion **(reserve 1 mark).**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether supply-side policy is the only way of reducing long-term unemployment 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** • Analysis of what is meant by supply side policy and how it can be applied to reduce **long-term unemployment** e.g., by retraining and updating skills, by providing information on job vacancies, by encouraging business start-ups etc. • Analysis of the advantages of using supply side policy e.g., may be non-inflationary, may be more long-term etc. • Analysis of the disadvantages of supply side policy e.g., may take a long time to have an effect, opportunity cost, receptiveness e.g., of the workforce, policies may not work depending on the type of unemployment e.g., demand side policy may be more applicable for cyclical unemployment. • An analysis of the advantages and disadvantages of at least one alternative macroeconomic policy. L3 lower-level **max** if only the advantages and disadvantages of supply side policy are analysed. L2 max if only advantages **OR** disadvantages of supply side policy are analysed. **AO3 Evaluation** • For an evaluation of whether supply side policy is the only way of reducing long term unemployment leading to a reasoned conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**Explain how import tariffs might correct an imbalance in the current account of the balance of payments <u>and</u> consider whether these tariffs are the best way of correcting such an imbalance.** 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)** • What is meant by an import tariff **(1)** • What is measured by the current account of the balance of payments **(1)** • What is meant by an imbalance in the current account of the balance of payments in terms of a surplus **or** deficit. **(1)** **AO2 Analysis (max 3 marks)** For an analysis of how import tariffs will affect the prices of imports **(1)** and how this may affect domestic consumption on imports **(1)** and how this may correct the imbalance **(1)** **Note:** a diagram may be useful but cannot be expected. **AO3 Evaluation (max 2 marks)** Final effect is uncertain e.g., as a result of the PED for imports **(1);** other policies can be used **(1);** whether trading competitors retaliate **(1).** Reserve **(1)** for a justified conclusion.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**A country has a persistent deficit on the current account of its balance of payments.** **Assess the likely consequences for the domestic and external economy of this 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** • Explanation of what is meant by a persistent deficit on the current account of the balance of payments. • Analysis of the consequences of a persistent deficit on the domestic economy e.g., in terms of employment levels, economic growth, inflation, living standards, government budget, business confidence, possible need to restructure the economy etc. • Analysis of the consequences of a persistent deficit on the external economy e.g., exchange rates, ability to trade, need for imports, debt interest, etc. **Note:** accept answers that refer to the impact on other economies when another economy has a persistent current account deficit. Max L 2 if only the consequences on the domestic **or** the external economy are considered. **AO3 Evaluation** That clearly considers the likely consequences on both parts of the economy and comes to a conclusion as to the most likely consequences. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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