CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 AS Level Data Response and Essays **October/November 2024**

MARK SCHEME

Maximum Mark: 60

Published

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

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Generic Marking Principles

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

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

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- marks are awarded when candidates clearly demonstrate what they know and can do
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GENERIC MARKING PRINCIPLE 4:

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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 …).

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- 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

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Table B: AO3 Evaluation

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

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

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Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Using the data in Fig. 1.1, describe the trend shown in the annual inflation rate in Argentina over the period February 2021 to January 2022.** • The overall trend during this period has been upward/increasing/rising from 40.7% in February 2021 to 50.7% in January 2022. **(1)** • Within this overall upward trend, there has actually been a downward trend from 52.5% in September 2021 to 50.7% in January 2022. **(1)**	**2**
1(b)	**Explain what is meant by 'the real interest rate will be negative' in Argentina in January 2022.** • It is when the interest rate is lower than the inflation rate in Argentina. **(1)** • In January 2022, it would be -10.7%/or method of calculation. **(1)**	**2**
1(c)	**Consider the extent to which having 'the fifth highest inflation rate in the world' is likely to be a problem for Argentina's economy.** Explanation of why a high rate of inflation in Argentina might be a **problem** for Argentina's economy, such as in terms of: • a reduced purchasing power of money • less competitive exports • menu costs • shoe leather costs • uncertainty in the economy and the possible impact on investment • the possible negative impact on savers • the possible negative impact on fixed income earners. However, there could be some **benefits**, such as: • increase in profits for firms • lower debt in real terms. **Max 3 marks (Up to 2 marks for problems and up to 1 mark for benefits)** **Evaluation** Offers a valid judgement on the extent to which a high rate of inflation in Argentina is a serious economic problem, taking into account how its rate of inflation compares with other countries and/or the fact that inflation can have benefits, such as an increase in profits for firms where prices rise by more than costs and an advantage for borrowers whose debt will be less in real terms. **Max 1 mark**	**4**

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Question	Answer	Marks
1(d)	**Assess whether the potential benefits of introducing maximum prices on 1432 products in Argentina are likely to outweigh the potential disadvantages.** **Up to 4 marks for explanation/analysis:** • Explanation of potential **benefits** of a maximum price, including keeping prices of the products, such as the prices of essential foods/basic necessities, lower than they would otherwise be and so contributing to a possible lowering of the rate of inflation in the economy. **(Up to 3 marks)** • Explanation of potential **disadvantages** of a maximum price, including the creation of excess demand and a shortage, the possibility of a queue or waiting list, the creation of rationing and the existence of an informal market. (**Up to 3 marks)** The question does not explicitly require a diagram to be drawn, but credit can be given for one if it aids the explanation/analysis. **Max: 4 marks** **Up to 2 marks for evaluation:** Relevant evaluation of whether the potential benefits of introducing a maximum price on 1432 products in Argentina will outweigh the potential disadvantages, such as excess demand, the need for rationing and the possibility of an unofficial economy arising **(1)** leading to a conclusion. **(1)**	**6**
1(e)	**Assess the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina.** **Up to 4 marks for explanation/analysis:** • Explanation/analysis of the potential **benefits** of using monetary policy to control inflation in a country such as Argentina, such as the possibility that this will lead to a reduction in aggregate demand and how this may reduce inflation. **(Up to 3 marks)** • Explanation/analysis of the potential **limitations** of using monetary policy to control inflation in a country such as Argentina, such as the difficulty of knowing what the appropriate interest rate should be and the possibility that demand could be relatively interest-inelastic and the meaning of this. **(Up to 3 marks)** **Max: 4 marks** **Up to 2 marks for evaluation:** • Relevant evaluation which weighs up the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina. **(1)** • A conclusion on the likely overall effect. **(1)**	**6**

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Question	Answer	Marks
EITHER		
2(a)	**Explain the determinants of supply for an agricultural product, such as rice, <u>and</u> consider which of these determinants is likely to be of the greatest significance at the present time.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** A knowledge and understanding of the determinants of supply for an agricultural product, such as rice (there should be at least **two** determinants): • physical factors, e.g. climate and soil • institutional factors, e.g. land tenure and land reforms • infrastructural factors, e.g. irrigation and storage facilities • the price of rice and the prices of other agricultural products. **AO2 Analysis (max 3 marks)** An analysis of the importance of these determinants of supply for an agricultural product, such as rice. For example, if rice is relatively easy to store, the supply will be more elastic. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on which of these determinants of supply for an agricultural product, such as rice, is likely to be of the greatest significance at the present time **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether the supply of agricultural products is likely to be more price elastic or less price elastic than the supply of manufactured products.** 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** A knowledge and understanding and analysis of possible factors affecting the PES of agricultural products and manufactured products, including: • the number of producers • the existence of spare capacity • the ease of storing stocks • the time period • the extent of factor mobility • the length of the production process. Answers should analyse how PES is affected by each of these, with a clear distinction between the two types of products. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Evaluation of whether the supply of agricultural products is likely to be more price elastic or less price elastic than the supply of manufactured products. • In conclusion, PES for agricultural products is likely to be less elastic than the PES for manufactured products. 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)	**With the help of a diagram, explain the significance of a position within a market economy's production possibility curve (PPC) and consider whether such a position is likely to be permanent.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** A diagram of a PPC: • the axes of the PPC are appropriately labelled, such as manufactured/agricultural goods or consumer/capital goods or Good A/Good B **(1)** • the PPC will need to touch both axes **(1)** • a position within a PPC is clearly shown. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the significance of a position within/inside a PPC: • a position where an economy is using its resources inefficiently • where not all available resources are being utilised • where the output of both products is lower than it would be if all available resources were being used • there should be some reference to permanency. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether such a position is likely to be permanent **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Assess whether consumers always benefit when the government of a mixed economy reduces the role of the market mechanism in allocating resources.** 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 the market mechanism in a mixed economy might include: • Decisions are made by individual consumers and individual producers who act in their own self-interest. • Resources are allocated by a price mechanism without the need for very much government intervention. The **disadvantages** of the market mechanism in a mixed economy might include: • Some products will be underprovided and underconsumed, e.g. a merit good such as education, while some products will be overprovided and overconsumed, e.g. a demerit good such as tobacco. • Some products will not be provided, e.g. a public good such as police. The **advantages** of government intervention in a mixed economy might include: • Government intervention in the allocation of resources means it can take decisions in the national interest. • The government could create a more equitable distribution of income. The **disadvantages** of government intervention in a mixed economy might include: • Government control could lead to an inefficient allocation of resources. • Lack of competition/profit motive could lead to products of lower quality. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

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Question	Answer	Marks
3(b)	**AO3 Evaluation** • Evaluation of relative balance of advantages and disadvantages of each. • In conclusion, consideration of whether consumers will always benefit when the government of a mixed economy reduces the role of the market mechanism in allocating resources. 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
EITHER		
4(a)	**Explain <u>two</u> possible causes of economic growth <u>and</u> consider whether the consequences of economic growth for an economy will always be positive.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** A knowledge and understanding of what is meant by economic growth **(1)** and **two** possible causes of economic growth, such as: • an increase in the number of workers • an improvement in the quality of workers, e.g. in terms an increase in education and/or training • a greater commitment to research and development • an improvement in the state of technology • investment in capital stock • increased mobility/flexibility of factors of production • development of new export markets. **(Up to 2 marks)** **AO2 Analysis (max 3 marks)** An analysis of the possible consequences of economic growth for an economy, both positive and negative, such as: • leads to an increase in the standard of living • could lead to a decrease in unemployment • may lead to a depletion of resources and to environmental damage • there could be a reduction in the quality of life, e.g. less leisure time. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether the consequences of economic growth for an economy will always be positive **(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 for an expansionary fiscal policy rather than a contractionary fiscal policy.** 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 when an **expansionary** fiscal policy would be appropriate, and how such a policy would work, such as: • to increase aggregate demand (AD) • to increase economic growth • to increase employment • to increase inflation • to encourage exports and imports. Explanation of when a **contractionary** fiscal policy would be appropriate, and how such a policy would work, such as: • to reduce aggregate demand (AD) • to reduce economic growth • to reduce employment • to reduce inflation • to discourage exports and imports. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Consideration of when a government should aim for an expansionary policy and when a government should aim for a contractionary one. • In conclusion, which approach will be better for particular economic situations. 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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Question	Answer	Marks
OR		
5(a)	**Explain the potential advantages of free trade <u>and</u> consider whether such advantages are always greater than the potential disadvantages of free 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** A knowledge and understanding of at least **two** potential **advantages** of free trade, such as: • an increase in world output • a wider range of products for consumers to choose from • an improved standard of living. **AO2 Analysis (max 3 marks)** An explanation of at least **two** potential **disadvantages** of free trade and how these contrast with the potential advantages of free trade, such as: • free trade involves specialisation which could mean that some economic sectors are allowed to run down, leading to higher unemployment • overreliance on some commodities could be risky • potential security risk if vital resources are imported. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether the potential advantages of free trade are always greater than the potential disadvantages of free trade **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess whether an economy will always benefit from having a surplus on the current account of its balance of payments.** 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** Potential **benefits**: • A country will have surplus foreign exchange which it could use to invest in other countries. • A high level of exports could lead to an increase in jobs in the export sector. • Lower spending on imports may mean that people are buying more domestic goods which could also increase employment. • It could stimulate economic growth. Potential **disadvantages**: • A current account surplus could be a sign of weak domestic demand with lower consumer spending and this could reduce domestic employment. • It could lead to lower economic growth. • The surplus could have been caused by a recession in the economy. • It can contribute to lower output and employment in those countries with a current account deficit. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Considers the potential benefits and disadvantages of the surplus. • Considers the size of the surplus and the possible reasons for it. • In conclusion, will an economy always benefit from having a surplus? Accept all valid responses. A one-sided response cannot gain any marks for evaluation.	**12**
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- 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

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Table B: AO3 Evaluation

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

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

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Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
Section A		
1(a)	**Identify <u>two</u> possible reasons why the current account on the balance of payments in Chile is in deficit in the first quarter of 2022 despite the surplus on the balance of trade in goods.** The data also states the secondary account is in surplus so the primary account **(1)** and /or the balance of services **(1)** must show a deficit. **Guidance:** Please also accept valid references to any of the components of the primary account i.e., net income from investments made abroad, earnings made by residents working abroad being in deficit. **(1 max if no additional reference to services)** Do **not** accept references to components of the secondary account e.g., transfers, government aid. **Alternative approach:** Many candidates have answered why the current account deficit has grown rather than why it is in deficit in the first quarter of 2022. This is by reference to the final paragraph on page 2 of the data e.g., the fall in revenue from copper exports, the increase in the value of imported consumer goods and the impact of the pandemic. For any accurate reference to one / all of these factors **(1)** plus **(1) <u>only if</u>** an accurate reference is also made to the deficit in the primary account **OR** the balance of services.	**2**

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Question	Answer	Marks
1(b)	**Consider the likely success of <u>one</u> policy that Chile could use to reduce the imports of consumer goods.** Allow any valid policy that may reduce the expenditure on imports. Identification of policy **(1),** an explanation of how it may reduce the expenditure on imports. **(up to 2 marks).** • For example, identification of a tariff **(1)**. This will increase the price of imports **(1)** which **may** have the effect of reducing the demand/level of imports **(1).** • For example, identification of a quota **(1)**. This will limit the number of goods that can be imported **(1)** which will of reduce the demand/level of imports **(1)**. • Evaluation of the likely success of the chosen policy **in switching expenditure from imports/reducing the imports of consumer goods (1)**. • For example, if the PED for imports is inelastic, a tariff may make little difference in reducing imports **(1)**. **Guidance:** Examples of policies may include any example of protectionism, other policies to boost the price competitiveness and /or availability of domestic consumer goods e.g., supply side policies.	**4**
1(c)	**Explain what is meant by the fall in Chile's Gini coefficient from 52.1 to 44.1.** **1 mark** for an accurate definition only e.g., the Gini coefficient measures income inequality. **2 marks** for an explanation that the fall (from 52.1 to 44.1) means that income is more equally distributed. **A maximum of 2 marks overall**.	**2**

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Question	Answer	Marks
1(d)	**Assess the extent to which 'the government increasing its education spending' may improve the incomes of poorer households in Chile.** **Up to 4 marks for the explanation / analysis:** For an explanation of the reasons / benefits of the government increasing education spending to improve the incomes of poorer households **(Up to 3 marks).** These **may** include: • As the data makes clear, education is considered a merit good that is considered to be beneficial for the individual and society in e.g., raising income levels due to a better educated and skilled workforce. • Additional spending may increase the availability of education provision and free college tuition fees may make it more affordable to poorer households. • Increased provision may also reduce other costs of education, again making it more affordable and accessible. • It may raise awareness of the benefits of education for poorer households. For an explanation of why increased government spending on education may not have the desired effects **(Up to 3 marks).** These **may** include: • There may still be a lack of awareness of the benefits of education due to information failure. • Poorer households may have higher opportunity costs due to the need to start earning an income at an earlier age. • Government spending may be unsustainable leading to reductions in future spending. • **Max: 4 marks** **Note:** maximum of 3 marks if only one side is considered. **Up to 2 marks for evaluation (no marks if only one side is considered):** • That assesses the advantages and disadvantages of just increasing government expenditure on education to improve living standards of poorer households, this may include an assessment of the time for the policy to have the desired effect i.e., the extent **(1)**, leading to • A valid conclusion **(1)**.	**6**

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Question	Answer	Marks
1(e)	**Assess the likely impact of the rise in the world copper price from 2020 on the future economic growth of Chile.** **Up to 4 marks for the explanation / analysis:** **Up to 3 marks for a discussion of the advantages of a rise in copper prices which include:** • Mining forms 50% of Chile's exports and contributes towards 11% of GDP and copper is a major part of this. **N.B.,** a simple reference to the importance of copper mining to the Chilean economy will be sufficient. • As world demand picks up and prices rise, assuming demand for copper is relatively price inelastic, revenue from exports should rise leading to a rise in GDP. **Up to 3 marks for a discussion of the disadvantages of a rise in copper prices which include:** • Data shows revenue from copper exports had fallen in February 2022 due to higher prices suggesting PED is more elastic/more substitutes available leading to a fall in revenue and GDP if the world copper price continues to rise. • It may encourage more competition from other copper producing countries. • Copper is a finite resource, and extensive mining may lead to depletion in the future leading to a future fall in export revenue and GDP. **Max: 4 marks** **Note:** maximum of 3 marks if only one side is considered. **Up to 2 marks for evaluation (no marks if only one side is considered)** • That assesses both sides and may include the argument that the fall in revenue from copper exports would be temporary due to a downturn in demand and that this would change as the world economy starts to grow again **(1)**, leading to • A valid conclusion **(1)**.	**6**

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Question	Answer	Marks
Section B		
EITHER		
2(a)	**With the help of a diagram(s), briefly explain how the cause of a movement along the demand curve differs from the cause of a shift in the demand curve <u>and</u> consider the impact on the demand for one good of price changes in other 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • An accurate demand (and supply) diagram/or 2 separate diagrams clearly demonstrating a movement and a shift **(1)**. **NB:** it is not essential to show the supply curve or changing price and output. • Explanation that a movement occurs due to a change in price **(1)** and that a shift occurs due to a change in a non-price factor **(1).** **AO2 Analysis (max 3 marks)** Candidates may analyse the impact on the demand for one good as a result of whether they are substitutes or complements of other goods (of any valid relationships between goods): This will include an analysis of the **impact on demand** for one good because of e.g.: • Price changes and the availability of complements (a negative value indicates a complement) e.g. a rise in the price of the complement would be expected to reduce the demand for the 'other good'. • Price changes and the availability of substitutes (a positive value indicates a substitute) e.g. a rise in the price of the substitute would be expected to increase the demand for the 'other good'. • For example, an increase in the price of a complement good is likely to reduce the demand of the good **(1)** due to the nature of the joint demand between both goods **(1)**. • For example, a rise in the price of a substitute good is likely to increase the demand for the other good **(1)** if the consumer now sees the other good as a direct replacement **(1)**. • **Note:** Diagrams are not essential. **Note:** Maximum of 2 marks if only one relationship is analysed. References to changes in income/fashion/tastes/attitudes **must not** be rewarded.	**8**

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Question	Answer	Marks
2(a)	**AO3 Evaluation (max 2 marks)** Up to 2 marks for considering the overall impact of these two factors depending on the size and values of the XED coefficients on the demand for one product **(1)** leading to a valid conclusion about the overall size of the impact of changes in the price of 'other goods **(1)**.	
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether knowledge of income elasticity of demand or price elasticity of demand for its product is more useful to a business aiming to increase the total expenditure on its product during a period of economic growth.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** Responses should focus on how the two measures are used rather than displaying merely knowledge and must relate to a period of economic growth which may lead to rising incomes and prices. • Advantages and disadvantages of using income elasticity of demand include the opportunity to classify products as normal or inferior goods and may influence what type of goods to produce. The measure may be less useful in terms of pricing decisions and may be based on historical data which may be inaccurate. • Advantages and disadvantages of using price elasticity of demand include the opportunity to measure the impact of price changes but again suffer from the use of historical data which may be inappropriate in a time of economic growth and rising incomes which could affect PED values. Accept any valid analysis that relates to the use of these measures during a period of economic growth and their impact on the aim of increasing sales revenue. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

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Question	Answer	Marks
2(b)	**AO3 Evaluation** • Requires an assessment of the use of both measures in comparison with each other in terms of their usefulness to a business aiming to increase sales revenue in a period of economic growth. Leading to • A justified conclusion as to which is the most useful method. **A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**With the help of a production possibility curve (PPC) diagram(s), explain the difference between constant and increasing opportunity costs and consider how choices in deciding which type of goods to produce in the short run may influence future economic growth.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Accurately drawn and labelled production possibility diagram – curved to show (**and be identified as**) increasing opportunity cost **(1)** and – straight line to show (**and be identified as**) constant opportunity cost **(1)**. **N.B.,** axes must be labelled as products and not simply A and B or X and Y and the curves must touch both axes. • Explanation for the difference between constant and increasing opportunity cost. For example, constant opportunity cost demonstrates no change in the rate of trade off whereas increasing opportunity costs demonstrate an increase rate in the trade off between the two products **(1)**. **AO2 Analysis (max 3 marks)** For example, future economic growth will be influenced by the choices an economy makes about the split between consumer spending and capital spending **(1).** If a country decides to focus its spending and output on consumer goods, then this may create growth in the short run but may not be sustainable **(1).** A decision to focus on spending and output of capital goods, this may have a short run negative impact on economic growth but should create more long-term sustainable growth as output may expand **(1).** **AO3 Evaluation (max 2 marks)** Up to 2 marks for valid evaluation which is clearly based on the analysis **(1)** leading to a valid conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess whether a market economy is always the best economic system to effectively answer the three basic questions of resource allocation.** 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 and disadvantages of the market system in deciding what to produce, how to produce and for whom to produce should focus on the price mechanism without any government involvement. • May include discussion of the profit motive, consumer sovereignty, consumer choice, overproduction of demerit goods, underproduction of merit goods, lack of public goods etc. • A comparison with another market system e.g., planned economy or mixed economy is needed to answer the question 'always the best'. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Requires an assessment of the strengths and weaknesses of at least one other type of economic system in answering the three basic questions of resource allocation. Leading to • A justified conclusion as to whether the market economy is always the best economic system. **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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Question	Answer	Marks
Section C		
EITHER		
4(a)	**Explain <u>two</u> methods of measuring unemployment <u>and</u> consider the extent of the possible difficulties in obtaining an accurate measurement of unemployment.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** The question refers to methods of measurement and **not** types of unemployment. Answers focused on types and not measures cannot answer the question without any reference to methods of measurement and **must not be rewarded.** For the identification of 2 methods of measuring unemployment **(1)** plus for a brief explanation of both measures 2x**(1).** **Guidance for explanation marks:** The two most used measures are the claimant count measure which is a measure based on those claiming benefits **(1)** and the labour force measure which is a measure of unemployment based on a survey that identifies people who are actively seeking a job **(1)**. However, if the meaning of these measures is clearly understood then they do not need to explicitly refer to the terms. **AO2 Analysis (max 3 marks)** • The difficulties in obtaining an accurate measurement using **both** methods should be considered. e.g., the claimant count figure may omit people actively looking for a job and may include people who are, in reality, not looking for a job. • Whereas the labour force measure is based on sampling which may not be entirely accurate due to sampling errors and/or problems associated with data collection in general. **Note: maximum** of **2 marks** if the difficulties of only **one** method of measurement are analysed. **AO3 Evaluation (max 2 marks)** An assessment of the difficulties of both measures is required with an overall assessment of the extent of the possible difficulties **(1)**, leading to a valid conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether supply-side policy is likely to be equally successful in reducing both structural and cyclical unemployment.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The discussion should focus on the strengths and weaknesses of supply side policy to solve **both** cyclical/demand-deficient **and** structural unemployment. • For example, supply side policies may be used to encourage investment into education and training and infrastructure to solve structural problems in the economy and hence structural unemployment. • However, supply side policies may be less successful in solving cyclical/demand deficient unemployment as they have less impact on the level of aggregate demand (AD) – unless for example, if they involve a direct injection of government spending due to the additional investment. • Other disadvantages include the potential cost of the policy and the time taken for the policy to be effective. • Although not necessary, other demand side policies, e.g., fiscal and monetary policies, may be analysed to explain the possible disadvantages of supply side policy. This is an acceptable approach. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** may consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Requires an assessment of the advantages and disadvantages of supply side policies in solving **both** types of unemployment. Leading to • An overall conclusion as to whether supply side policy is always (more) likely to be equally (more) successful in solving **both** types of unemployment. **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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Question	Answer	Marks
OR		
5(a)	**With the help of examples, explain the difference between the marginal rate of taxation and the average rate of taxation and consider whether a government should decide to increase the rate of indirect tax to raise additional revenue.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Accurate knowledge and understanding of marginal rate of tax (MRT). That is an understanding that it is the proportion of extra income taken in tax **(1).** • Accurate knowledge and understanding of average rate of tax (**ART**) i.e., an understanding that it is the proportion of the whole of income that is taxed **(1).** • An accurate example (which may be numerical/graphical) of each type of tax. **MRT** – a person earns an extra £100 and £40 is taken as tax then the marginal rate is 40%. **ART** – an individual with total earnings of £10 000, total tax paid £3000 the average rate is 30% **(1).** **AO2 Analysis (max 3 marks)** Discussion is likely to focus on whether the gains in revenue exceed the disadvantages of the indirect taxes: • easier and quicker to put in place than direct taxes • they may be less easy to avoid than direct taxes • however, they are often seen as regressive and can lead to a higher MRT for poorer households • their effectiveness in raising revenue depends on PED • they may also lead to cost push inflation **Note:** if only the advantages or disadvantages are considered, maximum mark of 2 **AO3 Evaluation (max 2 marks)** An assessment of the strengths and weaknesses of using indirect taxes to raise additional government revenue **(1)**, leading to a valid conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess whether the achievement of a balanced budget should always be a main government macroeconomic objective.** 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** • This question is asking whether a balanced budget should always be **a** main objective rather than **the** main objective and consequently an analysis of the importance of other government macroeconomic objectives is not essential. • An analysis which directly compares the strengths and weaknesses and uses of a balanced budget with a budget in surplus **and** deficit may gain access to Level 3 and full marks. • The strengths of a balanced budget may include stability and may encourage both domestic and inward investment, but it may not be sufficiently flexible to deal with changing economic conditions e.g., unemployment and inflation. • A budget deficit may enable, e.g., economic growth or reduce unemployment but may be unsustainable in the long run. • A budget surplus may be necessary to solve inflation, but this may cause opportunity costs due to a lack of government spending. • Analysis of other government macroeconomic objectives may be rewarded but only in the context of a balanced or unbalanced budget e.g., the problems of achieving other objectives if the sole aim is a balanced budget. These may include difficulties in controlling inflation, unemployment, creating actual economic growth etc. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** may consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • An overall assessment of whether the achievement of a balanced budget should always be a main government macroeconomic objective. • If part of the analysis, this should also include an assessment of the difficulties of achieving other objectives against the desirability of a balanced budget to gain higher level evaluation marks. • Leading to an overall and balanced conclusion.	**12**

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Question	Answer	Marks
5(b)	**A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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CAMBRIDGE
International Education

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ECONOMICS **9708/23**

Paper 2 AS Level Data Response and Essays **October/November 2024**

MARK SCHEME

Maximum Mark: 60

Published

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

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

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

Cambridge International is publishing the mark schemes for the October/November 2024 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 descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion).

2 Presentation of mark scheme:

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

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Guidance on using levels-based mark schemes

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

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

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

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

Assessment objectives

AO1 Knowledge and understanding
- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis
- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

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

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

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Table B: AO3 Evaluation

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

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

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Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Use a demand and supply diagram to show why there was a 'huge' increase in the price of Arabica coffee beans in 2021.** • Supply and demand diagram with correct axes and showing shift to the left of the supply curve **(1).** • New equilibrium price and quantity **(1).** **Guidance:** No explanation is required.	**2**
1(b)	**Is the price elasticity of supply of coffee beans likely to be elastic or inelastic in any one year? Justify your answer from the information provided.** Inelastic **(1)** (accept perfectly inelastic) Reference to any one of the climatic problems referred to in the text such as drought and frosts in Brazil or storms in Vietnam meaning that supply is volatile/unpredictable. The candidate may refer to the nature of agricultural goods meaning that you cannot simply grow additional output. The explanation must refer to how it affects the responsiveness of supply **(1).**	**2**
1(c)	**Consider whether a buffer stock scheme is likely to be successful in reducing the price fluctuations shown in Fig. 1.1.** Buffer stocks schemes occur when governments buy and sell coffee beans to stabilise prices **(1).** Governments will supply surplus stocks of coffee beans in the event of a poor yield to minimise excessive price rises **(1)** and buy excess supplies of coffee beans when yields are sufficiently high enough to cause significant price reductions. **(1)** **For valid evaluation** • For example: If the coffee beans cannot be stored in a way that maintains its quality, it may not be sold at the intended market price **(1).** • Other relevant factors include the government's budget/ability to finance the scheme.	**4**

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Question	Answer	Marks
1(d)	**Assess the extent to which coffee bean producers will gain from the huge increase in coffee bean prices in 2021.** **Up to 3 marks for explanation/analysis of the gains to coffee bean producers:** • If the demand for coffee is price inelastic in demand, then coffee producers would be expected to gain (in terms of increased revenue). • For example, increased revenue per lb. of coffee sold; increased funds available to invest and innovate in better methods of storing coffee beans in the event of future storms. • Producers in Brazil and Vietnam and with existing stocks of coffee that survived the frost and storms would expect to increase their own sales at the expense of those rivals unable to produce a large enough yield of coffee. • Similarly, producers in countries not affected by climatic problems should benefit from increased sales and revenue. **Up to 3 marks for explanation/analysis of the extent to which coffee bean producers will not gain:** • If the demand for coffee is price elastic in demand, then coffee producers would not be expected to gain (in terms of reduced revenue). • For example, those producers unable to produce a sufficiently large enough yield may make losses which may ultimately result in business closures. • Similarly, depending on the strength of the XED, total revenue may fall if the huge price increase in 2021 results in sufficient numbers of consumers switching their preferences to substitute goods e.g. tea. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Up to 2 marks for evaluation:** • That clearly considers whether or not coffee bean producers will gain from the huge increase in coffee bean prices in 2021. • Comes to a reasoned conclusion as to whether advantages outweigh disadvantages or vice versa (reserve 1 mark) **Note:** No mark for eval can be awarded if only one perspective considered.	**6**

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Question	Answer	Marks
1(e)	**Assess the likely impact of the fluctuations in coffee bean prices on the economies of major producers such as Brazil and Vietnam.** **Up to 3 marks for explanation/analysis of potential benefits to economies of major producers:** • Rising coffee prices will result in higher taxes paid to governments which can be used to finance other internal projects – e.g. improvements to education and development of infrastructure and reduce a country's reliance on coffee bean production. • This would not only lead to increased economic growth in the short term but also increase the potential for long run increased productive capacity through a more diversified economy. **Up to 3 marks for explanation/analysis of potential costs to economies of major producers:** • Unpredictability of coffee bean prices may reduce business confidence with producers preferring to save the higher revenues to cross-subsidise those time periods where prices have fallen. • Therefore, increases in investment may be minimal and have an overall smaller contribution to economic growth. Time periods where coffee bean prices are low may result in business closures and lead to rises in unemployment within the industry and the wider economy. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Up to 2 marks for evaluation:** • That clearly considers **both** potential advantages **and** disadvantages of fluctuating coffee bean prices on the economies of major producers. For example, the relevance of the long-term nature of climate change **(1).** • Comes to a reasoned conclusion as to whether advantages outweigh disadvantages or vice versa **(1).** **Note:** No mark for eval can be awarded if only advantages or disadvantages are considered.	**6**

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Question	Answer	Marks
EITHER		
2(a)	**With the aid of examples, explain the characteristics of public goods and free goods <u>and</u> consider whether free-of-charge vaccinations offered by a government should be classified as a free good.** 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, and 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)** • For example, the vaccine is free at the point of use to the consumer **(1)**. However, there is a cost to the taxpayer **(1).** This means that there is an opportunity cost to the government as providing the vaccine involves the use of scarce resources **(1).** Alternative approach: • If governments provide free-of-charge vaccinations, then there is no price charged to the consumer **(1)**. This means consumers do not need to use their own their own scarce resources to be vaccinated **(1)** which means there is no opportunity cost to them because they do not need to make a choice between 'consuming' the vaccine and reducing their consumption of other goods and services **(1).** **AO3 Evaluation (max 2 marks)** • Up to 2 marks for evaluating whether or not free-to-charge vaccinations offered by a government can be considered a free good. For example, there is an opportunity cost to the government as the money spent on buying the vaccine might have been used for spending on another priority e.g. education.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether the expected benefits of providing healthcare services free-of-charge at the point of use exceed the likely costs.** 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** Potential benefits of providing healthcare services free-of-charge at the point of use include: • It addresses concerns on affordability/inequality to access health care, insurance and information gaps e.g. preventative earlier treatments for elderly and children. • It may also avoid a potential loss of output resulting from worker absenteeism. It increases the likelihood of resources being prioritised to patient need as opposed to profit. Potential disadvantages from providing healthcare services free-of-charge at the point of use include: • Demand may exceed supply which may result in increased costs to governments. • Charging consumers will reduce on wastage in terms of 'missed' medical appointments; potential for health inequality resulting in income inequality. • Private firms may be more efficient in providing the healthcare services required in the quantities and regions required. The opportunity cost to the government in terms of reduced spending on roads etc. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.	**12**

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Question	Answer	Marks
2(b)	**AO3 Evaluation** • Requires an assessment of whether or not the expected benefits of providing healthcare free of charge at the point of use exceed the likely costs which leads to • A justified conclusion which may include alternative approaches including a mixture of free and chargeable healthcare. **Note:** 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)	**Explain <u>two</u> economic reasons for inequality in the distribution of income <u>and</u> wealth and consider why inequality in the distribution of wealth cannot easily be measured.** 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, AND up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • An explanation of how inequality of income and wealth means an uneven distribution of income and wealth among a population **(1).** • An explanation of **two** reasons for income and wealth inequality. – For example: Poor education and training results in the individual gaining fewer/less marketable skills that prevents them from applying for jobs with higher salaries **(1).** – Low rates of saving which makes it increasingly difficult to buy property. Wealth inequality widens as rising property prices not only make it more difficult to purchase a property, but benefits those who are already property owners **(1).** **AO2 Analysis (max 3 marks)** Points to consider may include (other difficulties may be considered): • Wealth is comprised from many sources housing assets, savings, financial instruments, pensions, and different countries have different ways of measuring it **(1)**. • Some wealth may not be included in any calculation should wealthy individuals legally use tax havens to reduce the value of their wealth **(1)**. • Ownership of wealth may be transferred to family members to reduce the value of personal wealth value **(1)**. **AO3 Evaluation (max 2 marks)** • For a balanced evaluation of whether wealth inequality cannot always easily be measured (1), leading to a justified conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Assess which policies are likely to be most effective in redistributing income.** 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** Polices may include: • Use of policies to redistribute income. For example, the introduction of a minimum wage (or increase an existing minimum wage) will increase the wage of the lowest earners and reduce the difference between the highest and lowest earners. • Problems of minimum wages include the possibility of increasing cost-push inflation, higher rates of unemployment and that in some countries only a small proportion of the population are in receipt of the minimum wage. • Alternative policies that may be considered include progressive tax systems – by increasing the number of tax brackets or increasing the higher tax rates will reduce the post-tax income of higher earners and reduce the difference between the highest and lowest earners. • Problems of the alternative policy – for example, increased incentives for individuals to seek ways to legally avoid the higher tax rates. Increased administrative costs associated with implementing new systems for income assessment and tax collection. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Requires an assessment of at least **two** policies to be compared against each other which leads to • A justified conclusion as to which policy (or combination) is most likely to be most effective in redistributing income. Accept all valid responses. **Note:** A one-sided response cannot gain any marks for evaluation.	**12**

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

Question	Answer	Marks
EITHER		
4(a)	**In 2021, year-on-year inflation in many economies increased to a level not experienced for fifty years.** **With the help of a diagram, explain what is meant by cost-push inflation and consider whether this type of inflation has affected your own economy since 2021.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • An explanation of cost-push inflation – when the price level rises due to higher costs of production and raw materials **(1).** • An accurate aggregate and aggregate supply diagram showing a shift to the left of the short run AS curve **(1).** • This results in a rise in the price level and a contraction/movement along the aggregate demand (AD) curve **(1).** **AO2 Analysis (max 3 marks)** Points to consider: • For example, an increase in wages/salaries increases the firm's costs of production **(1).** Firms will look to pass these additional costs onto its customers which increase the price of all goods and services **(1).** • Increased import prices (due to a depreciation of the domestic currency) **(1)** will increase the costs of production to firms that are reliant on other countries to produce raw materials/price inelastic demand for imports **(1).** **AO3 Evaluation (max 2 marks)** • Evaluation should explain the extent to which inflation in the named economy is the result of cost-push factors as opposed to demand pull causes **(1)**, leading to a justified conclusion **(1).** **N.B:** if the evaluation is not in the context of a named economy, then no evaluation marks can be awarded.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether the potential benefits of an increasing rate of inflation outweigh the potential costs 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** Potential benefits of an increasing rate of inflation include: • It stimulates output – a low and stable inflation rate caused by existing demand may make firms feel more optimistic about the future and encourage them to invest to expand their business. • A possible reduction in the burden of debt. If inflation is rising faster than the nominal rate of interest on previous borrowing then real interest rates become negative which may stimulate consumer expenditure which, in turn, could lead to higher output and employment. Potential costs of an increasing rate of inflation include: • A reduction in net exports as rising inflation rates may reduce the international competitiveness of a country resulting in reduced export revenue and increased import expenditure. • Fiscal drag – if tax rates are not increased in line with inflation, then people are 'dragged' (pulled) into higher tax brackets. As such, lower proportions of any increase in incomes are enjoyed by the taxpayer. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** Requires an assessment of the benefits and costs of increasing rate of inflation (which may refer to specific groups) which leads to a justified conclusion as to which the benefits outweigh the potential costs. Accept all valid responses. **N.B:** 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 two methods of protection in international trade and consider which of these is likely to have the bigger impact on employment and output in the economy which imposes them.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • Protectionism is when governments attempt to protect domestic businesses against foreign competition **(1)**. • Explanation of two methods of protection – e.g., tariffs, import quotas, export subsidies, embargoes, excessive administrative burdens (‘red tape’) and how each method distorts the free market/supports domestic production **(1+1)**. **AO2 Analysis (max 3 marks overall)** Points to consider: • An explanation of how each method affects domestic employment **(1+1).** For example, tariffs increase import prices and encourage expenditure switching to domestic production. This increases the level of employment as more workers are recruited to meet the additional output. • However, if the demand for imports is price inelastic in demand, then the reduction in imports may be less **(1),** therefore domestic output (and employment) may not rise as much as when compared to import quotas **(1)**. **AO3 Evaluation (max 2 marks)** • Evaluation should consider which method is likely to have the biggest impact on employment **(1),** leading to a justified conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess whether protectionism is always the best way of reducing a deficit on the current account of the balance of payments.** 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** Protectionism: • Advantages of protectionism – for example, tariffs can reduce the value of imports in the short term as infant industries grow and gain the economies of scale to enable them to be internationally price competitive. This reduction in foreign dependency will reduce the value of imports which (ceteris paribus) reduce a deficit on the current account. • Problems of protectionism includes – the ability to reduce the value of imports will be influenced by the price elasticity of demand for imports. Moreover, the possibility of retaliation thereby reducing the value of exports. This may not only limit any reduction in the current account deficit but may hinder a government's ability to achieve other macroeconomic objectives – e.g., reducing the level of unemployment or possibility of increasing cost-push inflation. • Alternative policies that may be considered include contractionary monetary policy – higher interest rates will increase the cost of debt and mortgage repayments and leave people with less money to spend. Therefore, this will reduce their consumption of imports, improving the current account. • Problems of the alternative policy – for example, an increase in interest rates will tend to cause hot money flows and therefore an appreciation in the exchange rate. This appreciation makes exports less competitive, and imports more attractive. Assuming demand is relatively elastic, this appreciation will worsen the current account. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** • Requires an assessment of the protectionism and at least one other policy in reducing a current account deficit which leads to	**12**

Question	Answer	Marks
5(b)	A justified conclusion as to which policy may be best way to reduce economic growth or whether a combination of policies might be more appropriate. Accept all valid responses. **Note:** A one-sided response cannot gain any marks for evaluation.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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