CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 AS Level Data Response and Essays **October/November 2025**

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 2025 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.
- 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.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point
	Incorrect point
	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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Assessment objectives

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

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

AO3 Evaluation
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- 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 information provided, explain whether Mexico is a mixed economy.** • Explanation of a mixed economy in terms of allocation of resources/ownership through both a private sector and a public sector **(1)**. • Evidence from the article that Mexico has **BOTH** a private sector ('private sector rivals', 'harder for private firms to obtain permits …', 'domestic firms in private sector') **AND** a public sector ('changed the balance of the mixed economy by prioritising state-owned companies', 'it also gave state-owned electricity and oil companies priority …', 'operating costs of the state-owned electricity producers …'). **(1)**	**2**
1(b)	**Explain what is meant by 'The opportunity cost of Mexico's new energy policy is huge.'** • Opportunity cost is the value of the (next) best alternative forgone when a decision is taken. **(1)** • Multinational companies that might have located in Mexico may decide to go elsewhere where the energy policy is less restrictive for private companies **(1) OR** • A failure to introduce renewable methods as economists reckoned that Mexico could have produced almost half its electricity from renewable sources long before its target of 2050. **(1)**	**2**

Question	Answer	Marks
1(c)	**Consider the extent to which direct provision of electricity in Mexico through state-owned companies may be advantageous to consumers.** **Potential advantages**: • State-owned companies seen as more likely to be drivers of growth, possibly leading to higher living standards. • The government may have more financial resources to support the state-owned companies than the private sector, which could lead to lower prices and a more efficient supply to consumers. • State-owned companies might be more likely to operate in the national interest than private companies, potentially benefitting. **(Up to 2 marks)** **Potential disadvantages**: • Operating costs of the state-owned electricity producers are significantly higher than in private companies, which could lead to higher prices for consumers. • State-owned companies have old and inefficient plants that are expensive to maintain, which could lead to a less efficient supply to consumers. • There will be less investment in renewable energy because the government has little interest in this. **(Up to 2 marks)** **Max 3 marks** **Note:** The focus of the question is **consumers**. **Evaluation** Offers a valid judgement on the extent to which direct provision of electricity in Mexico through state-owned companies may be more advantageous to consumers **Max 1 mark**	**4**

Question	Answer	Marks
1(d)	**With the help of a diagram, assess whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages.** **Up to 4 marks for explanation/analysis:** An accurate diagram of a subsidy: • Axes correctly labelled and demand and supply curves correctly drawn and labelled. • Supply curve shifts to the right leading to a new equilibrium position. **(1)** Explanation of the potential **advantages** of a subsidy, including a lower price and a higher quantity. **(Up to 2 marks)** Explanation of the potential **disadvantages** of a subsidy, including the fact that it will need to be financed by the government, it could lead to inefficiencies and there would be an opportunity cost. **(Up to 2 marks)** **Up to 2 marks for evaluation:** Relevant evaluation of whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages **(1)** to reach a conclusion. **(1)**	**6**
1(e)	**Assess the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity.** **Up to 4 marks for explanation/analysis:** • Explanation/analysis of the potential **benefits** of Mexico keeping more of its oil to generate the country's electricity, such as in relation to a shift towards greater energy self-sufficiency. **(Up to 3 marks)** • Explanation/analysis of the potential **limitations** of Mexico keeping more of its oil to generate the country's electricity, such as whether Mexico has the capacity to produce enough electricity for its population of about 130 million or the possible impact of such a policy on its balance of trade (2022 data shown in Fig. 1.1) given that its crude oil will now be kept in the country rather than exported. **(Up to 3 marks)** **Up to 2 marks for evaluation:** • Relevant evaluation which weighs up the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity **(1)** to reach a conclusion. **(1)**	**6**

Question	Answer	Marks
EITHER		
2(a)	**With the help of a formula, explain what is meant by price elasticity of demand for a product and consider the importance of time in determining whether demand for the product is likely to be relatively price elastic or relatively price inelastic.** 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 knowledge and understanding of the formula for calculating price elasticity of demand: percentage change in the quantity demanded of a product divided by percentage change in the price of the product. **(1)** • If the PED value is greater than one, the demand is price elastic, which means that percentage change in demand is greater than percentage change in price. **(1)** • if the PED value is between zero and one, the demand is price inelastic, which means that percentage change in demand is less than percentage change in price. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the importance of **time** in determining PED: • Demand for a product is likely to be more inelastic in the short run than in the long run. **(1)** • In the long run, consumers have more time to think about possible alternatives to a product. **(1)** • Habit is more likely to influence the short-run pattern of consumption, making demand less likely to be affected by price changes. **(1)** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the importance of time in determining whether demand for the product was likely to be relatively price elastic or relatively price inelastic **(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 knowledge of a product's income elasticity of demand is more important to a firm producing it than knowledge of its cross elasticity of demand.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A knowledge and understanding and analysis of **income elasticity of demand** (YED), such as in relation to whether a product is a normal good, where YED will be positive, or an inferior good, where YED will be negative and an analysis of the importance of it to a firm, i.e. the extent of its importance. • A knowledge and understanding and analysis of **cross elasticity of demand** (XED), such as in relation to whether two goods are substitutes, where XED will be positive, or complements, where XED will be negative and an analysis of the importance of it to a firm, i.e. the extent of its importance **(Up to 8 marks)** **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 YED or XED is likely to be more important for a firm producing a product to reach a conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**	**12**

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

Question	Answer	Marks
OR		
3(a)	**With the help of examples, explain the nature and characteristics of free goods and private goods (economic goods) and consider the significance of the distinction between these two types of 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: • A free good is one which is consumed by people without a situation of scarcity arising, i.e. there is enough of the good to satisfy everybody and it has no opportunity cost, such as sunlight. **(1)** Private goods (economic goods): • A private or economic good is one which is consumed by an individual for their own private benefit, such as clothing. **(1)** Use of appropriate examples of each type of good to support the explanations. **(1)** **AO2 Analysis (max 3 marks)** Free goods: • As a free good is not scarce, it does not require a market. The supply of the good equals the demand for it at zero price. It takes no factors of production to produce a free good and so there is no opportunity cost involved; analysis of the significance of there being no opportunity cost. Private (economic) goods: • Excludability: people can be excluded from consuming it if they do not pay the required price for it. • Rivalry: the consumption of a private good by one person reduces its availability for other people, i.e. there is rivalry in such a situation because consumers are in competition with other consumers to consume a particular product. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the significance of the distinction between the two types of good **(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
3(b)	**Assess whether education should be classified as a public good or a merit good.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** **Public good:** • In contrast to private goods, public goods are provided by society as a whole so that everyone can benefit from them. • Non-excludability: once a public good has been provided for one person, it is not possible to stop other people from benefiting from such a good (i.e. no one is excluded) (this would not apply to education). • Non-rivalry: as more people consumer the public good, the benefit to those already consuming it is not reduced (i.e. consumption by one person does not prevent others from consuming it). • Non-rejectability: even if a person does not want the public good, they are not actually able to reject it. • Free rider issue: it is impossible to exclude a person who has not paid. **Merit good:** • A merit good is a particular type of private good. • Like other private goods, a merit good is both rival and excludable. • What distinguishes a merit good is under-consumption if provided through the private sector as a result of imperfect information in the market, such as **education (there has to be a clear focus on education throughout the answer)**. **(Up to 8 marks)** **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 the distinction between the features and characteristics of a public good and a merit good. • In conclusion, education is provided through both the public sector and the private sector and so should be considered as a merit good rather than a public good. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	**Explain the possible causes of frictional unemployment and technological unemployment and consider whether some element of frictional unemployment is inevitable in an economy.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis, up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • A knowledge and understanding of what unemployment means in general. **(1)** • **One** cause of **frictional unemployment**: it is temporary and at any point in time, there will be workers transferring between jobs; this could occur simply because an individual wishes to improve their job prospects and needs to spend time searching for a new job; there will be some unemployment while the transfer between jobs takes place. Searching may take some time if information about the availability of jobs is not very good. Frictional unemployment can include not only search unemployment, but also casual unemployment and seasonal unemployment. **(1)** • **One** cause of **technological unemployment** is a type of structural unemployment that arises from the introduction of technology, when existing workers do not have the skills to operate the new technology; This is caused when developments in technology and working practices cause some workers to lose their jobs as they are replaced by capital investment. **(1)** **AO2 Analysis (max 3 marks)** An analysis of whether some element of **frictional unemployment** is inevitable, e.g. it would depend on the quality of information available about vacancies and the extent to which workers would be keen to change from one job to another. Is it always likely to occur? Candidates need to analyse the extent to which it is or is not inevitable. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether some element of frictional unemployment is inevitable in an economy **(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
4(b)	**Assess whether the consequences of technological unemployment are likely to be more serious than those of 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** **Technological unemployment**: • Workers are unemployed as a result of a change in the pattern of production when machines replace labour in the productive process. • New skills are required to use the capital equipment. • Such unemployment is due to technical progress; if workers cannot move from one industry to another because of a lack of the required skills, they will become technologically unemployed. **Cyclical unemployment**: • Workers are unemployed because of a deficiency in aggregate demand, i.e. there are insufficient jobs in an economy. • Whereas technological unemployment affects workers in particular industries, cyclical or demand-deficient unemployment affects the whole economy with job losses across a number of industries as firms reduce their output. **Focus of analysis should be the relative seriousness of the two types of unemployment. i.e. which is more serious and why.** **(Up to 8 marks)** **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 whether the consequences of technological unemployment are likely to be more serious than those of cyclical unemployment to reach a conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**	**12**

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

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Question	Answer	Marks
OR		
5(a)	**Explain two tools of protection used by a country when trading internationally and consider whether one is likely to have more of an impact on the country's economy than the other.** 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 explanation of what is meant by protectionism in general, i.e. to protect domestic industries from international competition. **(1)** An explanation of **two** tools of protection used by a country when trading internationally, including tariffs, import quotas, export subsidies, embargoes and excessive administrative burdens ('red tape'). **(1 × 2)** **AO2 Analysis (max 3 marks)** An analysis of the **two** tools and how they impact an economy as methods of protection (a maximum of 2 marks if only **one** tool of protection is analysed). **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether one of the tools of protection is likely to have more of an impact on the country than the other **(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 all consumers, all producers and the government in a country will benefit equally from protectionism.** 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** **Consumers**: • Consumers are likely to be worse off as a result of protectionist measures. There may be a restriction of choice. In the case of a tariff, consumer surplus will be lower after a tariff is imposed because consumers will pay a higher price but will consume less (i.e. there will be a redistribution of income away from consumers). **Producers**: • Producers may gain from protectionism as there will be a higher producer surplus with producers gaining at the expense of consumers (i.e. there will be a redistribution of income towards producers). However, protectionism may reduce the incentive to be efficient, e.g. potential benefits of the infant industry argument may not materialise. **Government**: • A government can receive revenue from a tariff. There may be an improvement in the balance of trade if protectionism is successful in reducing imports. However, whether domestic production will be able to compensate for this will depend on the elasticity of supply. **(Up to 8 marks)** **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 whether all consumers, all producers and the government in a country will benefit equally from protectionism to reach a conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**	**12**

Question	Answer	Marks
5(b)		
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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.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point
	Incorrect point
	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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Assessment objectives

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

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

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

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Table A: AO1 Knowledge and understanding and AO2 Analysis

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

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

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Table B: AO3 Evaluation

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

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

Section A

Question	Answer	Marks
	Follow the point-based marking guidance at the top of this mark scheme.	
1(a)(i)	**Identify one possible reason for the value of price elasticity of demand (PED) for chocolate.** • The value shows that PED is relatively inelastic and a reason may be the addictive nature of chocolate, the relatively low price in relation to income, few substitutes etc. • For a recognition that it is inelastic plus identification of a reason **(1)**	**1**
1(a)(ii)	**Calculate the percentage change in the value of global sales of chocolate between 2017 and 2026, as shown in Table 1.1.** • If the answer given as 58.8, 58.82 or 59 (with or without the % sign) award 1 mark. If the answer is shown as a negative figure e.g., -59(%) or the calculation is incorrect, 0 marks	**1**
1(b)	**With the help of a demand and supply diagram, demonstrate why cocoa bean prices have continued to fall in 2023.** • For an accurately drawn and labelled supply and demand diagram **(1)** that shows supply shifting to the right **or** further to the right than demand and showing the resulting decrease in price which can be shown by an arrow or P1 and P2 or an accompanying explanation **(1)** **Guidance: a diagram alone with the appropriate annotation is enough for the 2 marks.**	**2**

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Question	Answer	Marks
1(c)	**Consider whether a buffer stock system controlled by the government of Ivory Coast would be likely to prevent fluctuations in the price of cocoa beans.** • A buffer stock system combines both maximum price and minimum price controls / is designed to **minimise** price fluctuations / price falls **(1)** • If the price falls below a certain fixed point / minimum price the government will purchase and store cocoa beans therefore reducing supply/controlling demand to raise the price of cocoa beans **(1).** If the price rises beyond a certain point / maximum price, this buffer stock is released thus increasing supply and reducing the price of cocoa beans **(1).** **Guidance** • A response that **only** refers to governments buying stocks of cocoa beans in times of a surplus and selling them in times of a shortage to **minimise price fluctuations** is worth 1 additional mark maximum for analysis. **Reserve 1 mark for valid evaluation e.g.,** • Cocoa beans may be difficult/expensive to store / perishable/ may be an illegal market set up so it may not prevent fluctuations in the price of cocoa beans / the government do not have the budget to buy any surplus. **(1)** **Guidance** • The eval mark can be awarded even without any analysis marks being given **PROVIDED** there is a reasonable understanding that a buffer stock scheme only works when stocks can be held/released.	**4**

Question	Answer	Marks
1(d)	**Assess the extent to which the use of a minimum pricing policy would be the best way to ensure 'cocoa bean farmers get paid a living wage'.** **Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy would be the best way to ensure cocoa bean farmers get paid a living wage e.g.:** • It ensures that farmers receive a guaranteed price above the equilibrium market price enabling them to receive a higher income • It encourages farmers to maintain / increase production as there is more financial security again leading to a living wage • It reduces the instability caused by fluctuations in the global price of cocoa beans leading to a more stable income for farmers. **Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy may not be the best way to ensure cocoa bean farmers get paid a living wage e.g.:** • It may not be set at an appropriate level / may not be enforceable e.g., due to the costs of enforcement • It may lead to a surplus due to increased supply and reduced demand for e.g. chocolate products meaning this surplus may fail to be sold • Budget constraints for the government may make it impossible for them to buy the surplus and this makes the scheme collapse • May make farmers complacent therefore failing to invest and in the LR incomes fall. **Guidance:** • Allow any reasonable point for either perspective, BUT it must be linked how it affects farmer's incomes. • Candidates may choose to compare the advantages and disadvantages of an alternative method e.g., transfer payments / subsidies to farmers. Provided this is clear that **a comparison to a minimum pricing policy** has been attempted, this approach can also gain full marks. • Do not allow answers that refer to minimum wages as the policy or as an alternative. **Note: 4 marks maximum for analysis** • Evaluation that clearly assesses **both** sides **(1)** and comes to a justified conclusion whether it is the best way **(1).**	**6**

Question	Answer	Marks
1(e)	**Assess the advantages and disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans.** **Up to 3 marks for an explanation / analysis of the advantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.:** • It allows producers to benefit from comparative advantage and become even more efficient, which will reduce costs and prices further and increase output • It allows producers to further benefit from the increasing worldwide demand for cocoa beans and increase sales • This can encourage / lead to economic growth as exports increase. **Up to 3 marks for an explanation / analysis of the disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.:** • Dependence on cocoa beans may make the economy vulnerable to global reductions in demand / crop failures • It may mean less land is available for other essential food crops leading to an overreliance on imports • A lack of diversification may hinder economic growth and also make the economy more at risk of external shocks • It may exhaust the supply of cocoa beans and other natural resources leading to unemployment in Ivory Coast. **Note: 4 marks maximum for analysis** • Evaluation that clearly assesses **both** sides **(1)** and comes to a justified conclusion. **(1)**	**6**

Section B

Question	Answer	Marks
EITHER		
2(a)	**With the help of a diagram, explain the difference between producer surplus and consumer surplus and consider the extent to which producers always gain when the price of a product increases due to higher costs of production.** 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 fully accurately drawn diagram that clearly shows the area of consumer surplus below the demand curve and producer surplus above the supply curve **(1)** and that clearly explains that consumer surplus represents the difference between what a consumer is prepared to pay for a product and its market price **(1)** and that producer surplus represents the difference between what a producer is willing to accept and what is actually paid **(1)**. **AO2 Analysis (max 3 marks)** For a correct diagram showing the effect of the higher cost of production on the price of the product **(1)** and explains the impact on the producer in terms of an increase /fall in revenue if the PED is inelastic **(1)** or elastic **(1).** The impact may also depend on whether PES is elastic / inelastic affecting the producer's ability to respond to the price increase **(1)** **Guidance:** The same diagram can be used for both Knowledge and Understanding and analysis. **AO3 Evaluation (max 2 marks)** The extent to which producers will always gain will depend on the value of PED **(1)** the value of PES **(1)** leading to a reasoned conclusion **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess the view that a business should be more concerned about the income elasticity of demand for its product than its cross elasticity of demand when incomes are falling.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Analysis of the advantages and disadvantages of using income elasticity of demand. For example, it lets the business know whether it produces inferior or normal goods and therefore what to produce more of when incomes are falling but businesses may not be so flexible. Alternatively, the predictions may be incorrect or the same measurement may not be applicable to all households. • Analysis of the advantages and disadvantages of using cross elasticity of demand. For example, for substitutes, it allows businesses to track the actions of competitors when incomes are falling. For complements, businesses can try to ensure they are aware of the impact on their own products depending on the impact on the complement. However, data may be out of date and make it unreliable. **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. **Guidance:** Answers that do not refer to falling incomes cannot gain more than a mid-Level 2 mark. **AO3 Evaluation** That clearly analyses both sides of the question and comes to a valid conclusion. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**

Question	Answer	Marks
2(b)	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 difference between a movement along a production possibility curve (PPC) and a shift of this curve and consider whether a decision to produce more of one product will always incur an equal opportunity cost**. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** For a fully accurately labelled diagram showing 2 products (not X and Y, P and Q etc.) **(1)** and an explanation that a movement means a decision to produce more of one product than another **(1)** and an explanation that a shift means that more (or less) of **both** products can be produced due to a change in productive capacity **(1).** Also accept a diagram showing an accurate shift in the PPC along with an explanation that this results from increased/decreased resources in the economy **(1).** **AO2 Analysis (max 3 marks)** For analysis that clearly explains what is meant by opportunity cost **(1)** and fully explains what is meant by increasing opportunity cost in terms of rate of which one product is given up for another product **(1)** and by a constant opportunity cost in terms of the rate of which one product is given up for another product **(1)** **AO3 Evaluation (max 2 marks)** For evaluation that explains that whether the opportunity cost is equal will depend on the ease of transferring production resources from one product to another **(1)** and reaches a justified conclusion **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Assess the extent to which it is always necessary to increase the size of the labour factor of production in order to cause an outward shift of the production possibility curve.** 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 be aware that the question is focused on factors of production that cause an outward shift of the PPC i.e., an overall increase in potential output. Points to consider in the discussion may include: - • the ease of increasing the labour force through e.g., increasing the retirement age, attracting more people into the labour force etc. • the quality of the labour force including the importance of education and training • the importance of at least one other factor of production e.g., enterprise, capital and /or land The analysis should focus on the necessity of increasing the size of the labour force to increase potential output and compare this with the advantages and disadvantages of increasing at least one other factor of production. **For example:** • An increase in the size of the labour force provides more workers therefore increasing the number of goods and services that can be produced • This will increase total output if other factors of production are maintained • This will lead to an increase in economic growth and an outward shift in the production possibility curve **However:** • An increase in the labour force may not be possible • Other factors of production may be more important, for example, enterprise, capital and /or land • It may be more advantageous to develop the productivity of the existing labour force through training, better technology etc. • This depends however on the receptiveness of the workforce along with the availability of enterprise skills, capital and land. **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.	**12**

Question	Answer	Marks
3(b)	**Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** That clearly analyses both sides of the question and comes to a valid conclusion. 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

Section C

Question	Answer	Marks
EITHER		
4(a)	**Explain three components of the current account of the balance of payments and consider the extent to which a depreciation in the exchange rate will always lead to a surplus on the current account.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** Knowledge and basic understanding of 3 components of the current account. The component **must** be identified by name together with a brief explanation by name i.e., 3 from • Trade in goods – the **value** of physical goods e.g., computers • Trade in services – the **value** of invisible goods e.g., insurance/tourism • Primary income – e.g., the dividend income earned from **overseas** investments • Secondary income – e.g., the income from **overseas** aid or worker remittances sent back to their own country. **(3 × 1)** **AO2 Analysis (max 3 marks)** A depreciation in the exchange rate will make exports appear cheaper and/or imports more expensive **(1),** this should increase export revenue and/or reduce import expenditure and lead to a surplus **(1).** Also other components of the current account may influence whether the current account goes into surplus or not **(1). N.B. if the impact of other sections of the current account are not considered, maximum mark of 2.** **AO3 Evaluation (max 2 marks)** Of an overall assessment of the extent to which a depreciation in the exchange rate will always lead to a surplus on the current account – for example, reference may be made to the relevance of PED values and also the value of other sections of the current account. **Reserve 1 mark for a valid conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**Assess the extent to which the use of supply-side policy would be the best way to reduce 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** An analysis of the advantages and disadvantages of using supply-side policy to reduce a deficit e.g., • It is likely to be more effective in the long run and less costly to the economy. • it may reduce the possibility of retaliation by other countries BUT • it will have an opportunity cost and is not likely to be a short-term solution. Examples of supply side policy may include: • Investment in education and training to improve worker productivity and entrepreneurship which may reduce costs and lead to increased competitiveness of domestic goods, therefore increasing exports and reducing imports • Export subsidies and subsidies for domestic industries competing against imported goods • Policies to reduce red tape and bureaucracy to encourage competition to reduce costs • Investment in infrastructure to reduce costs of production **However:** • They take time and can be costly, which is unlikely to reduce a deficit in the short term • Other policies such as contractionary fiscal and monetary policy may work more quickly together with protectionist policies e.g., tariffs and currency depreciation. These policies should be analysed in terms of their strengths and weaknesses in reducing a current account deficit. **Guidance:** Answers that do not refer to the policies in terms of reducing a current account deficit cannot gain more than a mid-Level 2 mark. **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
4(b)	**AO3 Evaluation** That clearly analyses both sides of the question and comes to a valid conclusion. 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	
5(a)	**With the help of an AD /AS diagram, explain why two components of AD may increase and consider the extent to which an increase in AD 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)** An accurately labelled AD/AS diagram e.g., axes labelled price level and GDP showing an increase in AD and the increase in the price level **(1)** plus two components from consumption, investment, government spending and net exports and briefly explain **why** each may increase **(2 x1)** **AO2 Analysis (max 3 marks)** A rise in AD will lead to possible **demand-pull** inflation **(1).** However, the extent to which this may occur depends on the position of AD in relation to AS **(1)**. It also depends on the supply side effect of the increase in AD e.g., government spending on subsidies may increase LRAS and therefore minimise any inflationary pressure **(1).** **AO3 Evaluation (max 2 marks)** For an overall assessment of the possible impacts which may result in inflation or not. **Reserve 1 mark for a valid conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess the view that the effects of a high rate of inflation are always more damaging for consumers than for firms.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** For consumers problems include: • A loss of purchasing power that particularly affects fixed income earners and those with weak wage bargaining power • Fiscal drag pulling individuals into higher tax brackets • Shoe leather costs • A loss of consumer confidence particularly at a time of high rates of inflation leading to an increased use of alternative methods of payment **However** • Consumers with debts gain as the value of their debts is eroded with inflation • Consumers with assets gain e.g., house owners For firms problems include: • A loss of sales domestically and overseas due to higher prices / loss of competitiveness • Menu costs • Increased costs of production due to raw material costs and wages rising. • At a time of high inflation, this will lead to a loss of confidence and lower investment • Inflationary noise leading to poor decision making **However** • If it is demand led and sales increase, then firms will make increased profits. • If the price level is rising at a faster rate than production costs then profits will rise. **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.	**12**

Question	Answer	Marks
5(b)	**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. **Guidance:** Answers that refer to a moderate or low rate of inflation cannot gain more than mid-level 2 mark. **AO3 Evaluation** That clearly considers and compares both sides of the analysis and reaches a justified conclusion. 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

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CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 AS Level Data Response and Essays **October/November 2025**

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 2025 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:

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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).

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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.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point
	Incorrect point
	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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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

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Use the information in Figs. 1.1 and 1.2 to compare the change in Malaysia's total population from 2017 to 2022 with the change in its ageing population from 2017 to 2022.** • Total population and ageing population have both increased (1) • The share of ageing population has been increasing at a faster rate than increase in total population (1)	**2**
1(b)	**Explain one example of how 'what to produce' in Malaysia may have to change in order to meet the needs of an ageing population.** • Malaysia may need to produce more healthcare and elderly care services, such as hospitals, nursing homes, and medical equipment (1). • This change is needed because an **older population requires more medical attention and long-term care**, moving resources away from goods for younger people/existing provision (1).	**2**
1(c)	**With the help of a production possibility curve (PPC) diagram, consider the extent to which Malaysia's productive capacity is likely to change with its projected change in total population.** • Correctly labelled axes (both must be goods. For example, capital goods and consumer goods) (1) • PPC diagram that touches both axes. Either straight line or concave. (1) • An outwards shift of the PPC–this must touch both axes and show an increased productive potential of both goods (1). **For valid evaluation** • The size of the outwards shift may depend on the extent to which Malaysia improves productivity (e.g. through technology or retraining older workers) (1). • If the retirement age does not change then a larger proportion of the labour force will retire which may limit or reverse the outward shift in the PPC. (1) • Other relevant comments that focus on the extent to which Malaysia's PPC will shift outwards or otherwise.	**4**

Question	Answer	Marks
1(d)	**Assess whether the Malaysian government should provide free childcare to working parents.** **Up to 3 marks for explanation/analysis of why the Malaysian government should provide free childcare to working parents.** • Supports low-income families by reducing childcare costs, helping to reduce poverty and income inequality. • Raises overall consumption and tax revenue, supporting higher economic growth. • Reduces financial pressure on parents by removing childcare costs, allowing them to save or consume on other goods and services. • Makes it easier for both parents to work, improving household income and living standards. **Up to 3 marks for explanation/analysis of why the Malaysian government should not provide free childcare to working parents.** • Providing free childcare has a high opportunity cost, as government spending could be better used on healthcare, pensions, or infrastructure. • It distorts the price mechanism by making childcare artificially cheap, leading to overconsumption and inefficient use of resources. • It may reduce incentives for private childcare providers, lowering quality, efficiency, and competition in the market. • Funding it through higher taxes could discourage work and investment, reducing overall economic productivity. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Guidance**: The assessment must clearly demonstrate economic impacts. If only the reason why or why not free childcare should be provided, then a maximum of 3 marks. **Up to 2 marks for evaluation** • That clearly considers **both** viewpoints. For example, although free childcare helps families and can increase economic growth, but the government must consider the opportunity cost and how it might distort the price mechanism. • Comes to a reasoned conclusion as to whether the government should provide free childcare to working parents **(reserve 1 mark.)** **No mark for eval can be awarded if just one perspective is considered**.	**6**

Question	Answer	Marks
1(e)	**Excluding net exports, assess the likely impact of the change in Malaysia's total population on aggregate demand.** **Up to 3 marks for explanation/analysis of the change in Malaysia's total population would increase the level of aggregate demand.** • A larger population means more consumers, so overall spending on goods and services (consumption) increases, causing AD to rise. • Population growth creates higher demand for housing and infrastructure, encouraging firms to invest more, which raises investment in AD. • The government may need to spend more on healthcare, education, and other public services, increasing government expenditure, a component of AD. • More people can lead to a bigger workforce, increasing total income in the economy and allowing households to spend more, boosting consumption. **Up to 3 marks for explanation/analysis of the change in Malaysia's total population would reduce the level of aggregate demand.** • If population growth causes unemployment to rise, many people may have lower or no income, reducing overall consumption and limiting AD growth. • If people decide to save more due to uncertainty about the future, the increase in consumption will be smaller, so AD won't rise much. • Increased demand from a larger population might cause prices to rise (inflation), reducing the real value of incomes and spending power. • Government budgets may be strained by population growth, limiting its ability to increase spending, so the impact on AD could be limited. **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** viewpoints. For example, although population growth can increase aggregate demand, but higher costs, inflation, and unemployment may limit how much demand actually rises. • Comes to a reasoned conclusion as to whether the likely impact of the change in Malaysia's total population on aggregate demand **(reserve 1 mark)** **No mark for evaluation can be awarded if just one perspective is considered**.	**6**

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Section B

Question	Answer	Marks
EITHER		
2(a)	**In 2022 the supply of root ginger from Nigeria, Africa's largest producer, fell by 20%. Market demand was expected to grow by more than 5%.** **With the help of a demand and supply diagram, explain how the market equilibrium for root ginger in Nigeria is likely to change and consider how certain you are of the new market price.** 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 accurate definition of equilibrium. A fully labelled, accurate diagram showing understanding that the decrease in supply will shift the supply curve to the left (1) and the increase in demand will shift the demand curve to the right (1). This can be shown on 2 separate diagrams. **AO2 Analysis (max 3 marks)** Analysis of how the decrease in supply is likely to increase the price of root ginger; an analysis of how the increase in demand is likely to increase the price of root ginger. Up to 2 marks for each reason explained. **Maximum of 3 marks overall.** **AO3 Evaluation (max 2 marks)** An assessment of the significance that the overall impact on the equilibrium will depend on the relative size of both shifts and/or the relevance of the PED and PES.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess the ways in which producers of root ginger might be able to stabilise their incomes.** 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 the at least 2 ways in which producers or root ginger might be able to stabilise their income. For example, using their land for other purposes, diversifying or benefitting from government interventions. These interventions may include: **Subsidies** • Provision of financial support to help producers cover costs and maintain stable incomes. • Encourage production by making ginger farming more profitable. • Can be expensive for the government to maintain long-term. • May encourage overproduction, leading to wasted resources or falling market prices. **Minimum Price** • Guarantees a minimum income for producers, stabilizing their earnings. • Encourages consistent production levels. • May lead to surpluses if minimum price is above equilibrium. • Government may need to buy excess ginger, increasing costs. **Buffer Stock Systems** • Helps smooth out price fluctuations by buying surplus and releasing stock during shortages. • Provides income stability for producers during periods of low demand. • Requires significant storage and management costs. • Risk of losses if stored ginger spoils or market conditions change. **Guidance**: The assessment of both perspectives **must be in the context of stabilising the income of root ginger producers and not a general explanation of a range of policies**. A response that fails to do this is unlikely to achieve above a mid-Level 2 mark. **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.	**12**

Question	Answer	Marks
	Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** That clearly analyses at both sides of the question and comes to a valid conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**The Gini coefficient for South Korea was estimated to be 0.39 in 2019 and 0.33 in 2022.** **Explain what the data means, how it might be used by the government of South Korea and consider its usefulness.** 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 what the Gini coefficient is (1). It ranges from 0 to 1, where 0 represents complete equality and 1 represents complete inequality (1). A fall in the Gini coefficient from 0.39 to 0.33 indicates that income became more evenly distributed among the population of South Korea between 2019 and 2022. (1) **AO2 Analysis (max 3 marks)** • The government could use this information to evaluate the success of policies aimed at reducing income inequality, such as progressive taxation or transfer payments. (1) • The data might also guide future policy decisions, for example deciding whether to increase social welfare spending or adjust tax rates to maintain or further reduce inequality. (1) • However, its usefulness will be dependent in both the accuracy of and confidence in the data. (1)	**8**
	AO3 Evaluation (max 2 marks) • The Gini coefficient is useful for showing changes in overall inequality, but it does not indicate which income groups have gained or lost. (1) • It also ignores other dimensions of inequality, such as wealth inequality or access to education and healthcare, which can limit its usefulness for policy-making. (1) • Despite these limitations, it remains a valuable indicator for comparing inequality over time and across countries. (1)	
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Assess why it is easier for a government such as that of South Korea to redistribute income rather than redistribute wealth.** 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** **Redistributing Income** • Governments can change the level of direct taxation and transfer payments such as benefits or subsidies, allowing income redistribution through existing fiscal systems. • Income is received regularly and recorded through wages or salaries, making it easier for governments to measure and adjust policies quickly. **However** • High-income earners may respond to redistributive tax policies by avoiding or evading taxes, reducing the effectiveness of redistribution. • Increasing taxes on higher earners or firms may discourage work and investment, leading to lower economic growth and government revenue. **Redistributing wealth** • Wealth can be redistributed through inheritance or property taxes, which directly target accumulated assets rather than annual income. • Governments can promote asset ownership among lower-income groups through housing schemes, education access, or small business grants. **However** • Wealth is often difficult to measure accurately, especially in the form of private businesses, offshore accounts, or property, making taxation complex. • Wealthy individuals often have political influence and legal means to resist or reduce the impact of wealth taxes, limiting the government's ability to redistribute effectively.	**12**

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Question	Answer	Marks
3(b)	**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** That clearly analyses at both sides of each perspective question and comes to a valid conclusion. **A one-sided response that does not contain both perspectives of each option cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C

Question	Answer	Marks
EITHER		
4(a)	**For your economy or for one that is known to you, explain three causes of inflation and consider which of these causes is likely to be most important in 2025.** 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)** • Inflation is a sustained rise in the general price level (1). • Understanding of three causes of inflation. The cause must be identified by name together with a brief explanation–e.g. demand-pull inflation when aggregate demand increases faster than aggregate supply, e.g., due to higher consumer spending, government expenditure etc. (1). Cost-push inflation when rising costs of production result in firms raising prices (1). **Up to 2 marks maximum for each cause, with an overall maximum of 3 knowledge marks.** **AO2 Analysis (max 3 marks)** • An explanation of the identified cause of inflation for a named economy. For example, a reduction in income tax increases disposable income, leading to higher consumption, which raises aggregate demand and can cause an increase in the price level/demand pull inflation (1 + 1). However, if high levels of job insecurity exists then the increase in consumption/AD/demand-pull inflation may be less important (1). **AO3 Evaluation (max 2 marks)** • Evaluation should consider the extent to which a single cause can be identified as being the most important. • 1 mark reserved for a justified conclusion.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether supply-side policy or demand-side policy is the better way of reducing this inflation.** 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** **Possible reasons why supply-side policies are the best way to reduce demand-pull inflation:** • They increase productive capacity (aggregate supply), helping meet higher demand without causing price rises. • Improved efficiency and productivity lower production costs, reducing inflationary pressure in the long term. **However** • They take a long time to have an effect, so they may not reduce inflation quickly. • Some policies, like education or infrastructure investment, are expensive and may not guarantee results. **Possible reasons why demand-side policies are the best way to reduce demand-pull inflation:** • Higher interest rates reduce consumer and business borrowing, lowering consumption and investment, which reduces aggregate demand and inflationary pressure. • Increasing taxes reduces disposable income, leading to lower consumer spending and weaker aggregate demand. **However** • They can also reduce output and employment, leading to slower economic growth and higher unemployment. • Time lags may occur before interest rate or tax changes have a noticeable effect on spending and inflation **Potential reasons why supply-side policies are the best way to reduce cost-push inflation:** • Increasing investment in training and technology can raise productivity, allowing firms to produce more with the same resources, helping reduce cost pressures. • Improving transport and infrastructure reduces distribution costs for firms, helping lower overall production costs and ease inflationary pressure.	**12**

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Question	Answer	Marks
4(b)	**However** • They take a long time to show results, so they are not effective in reducing inflation in the short term. • External factors like rising oil prices or imported inflation cannot be controlled by domestic supply-side policies **Guidance**: The assessment of both perspectives **must be in the context of the reducing inflation and not a general explanation of both policies**. A response that fails to do this is unlikely to achieve above a mid-Level 2 mark. **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 how both supply-side policy and demand-side policy may reduce 'this inflation' which leads to a justified conclusion as to which policy is the better way for the identified country. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
5(a)	**Explain two reasons why an economy may have a deficit on the current account of its balance of payments and consider whether its government is likely to be concerned about this deficit.** 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 current account records trade in goods and services, primary income, and secondary income between countries/A current account deficit occurs when the value of imports of goods or services, primary and secondary income exceeds the value of exports (1). Two marks for an accurate explanation of two reasons–e.g., low international competitiveness, (1) - if the country experiences strong domestic growth. (1) **AO2 Analysis (max 3 marks)** An explanation of why the government is likely to be concerned at about this deficit. For example, a current account deficit could lead to downward pressure on the exchange rate, making imports more expensive and potentially causing inflation (1). Persistent deficits may reduce confidence among foreign investors, limiting inflows of capital needed to finance growth (1). However, the government may not be concerned if the deficit is temporary or caused by for example, high investment imports that may boost future productive capacity (1) **A max of 2 marks for either perspective**. **AO3 Evaluation (max 2 marks)** An assessment of the extent that the government is likely to be concerned. For example, the level of concern will depend on the size, duration and cause of the deficit and how it is financed (1).	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess whether it is better to use protectionist policies or contractionary policies to reduce 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** **Possible reasons why protectionist policies are the best way to reduce a deficit on the current account of the balance of payments.** • They may reduce the value of imports, which helps to lower the current account deficit by limiting the outflow of money from the economy. • They may protect domestic industries from foreign competition, allowing local firms to grow and potentially increase exports in the future. **However** • They can raise prices for consumers, as tariffs or quotas make imported goods more expensive, reducing consumer welfare. • Other countries may retaliate with their own trade barriers, which could reduce exports and harm the economy further. **Possible reasons why contractionary policies are the best way to reduce a deficit on the current account of the balance of payments.** • They can reduce domestic demand, which lowers imports and helps decrease the current account deficit. • They may help control inflation by reducing spending in the economy, which can stabilise the exchange rate and make exports more competitive. **However** • They can slow economic growth and increase unemployment, as lower demand reduces output in domestic industries. • They may reduce consumer and business confidence, which can further decrease spending and investment, worsening the economic slowdown. **Guidance:** The assessment of both perspectives **must be in the context of the reducing a current account deficit** and not a general explanation of both policies. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.	**12**

Question	Answer	Marks
5(b)	**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 whether it is better to use protectionist policies or contractionary policies to reduce a deficit on the current account of the balance of payments. For example–Protectionist policies may work more quickly to reduce imports and protect domestic industries, but they risk retaliation from other countries and higher prices for consumers. Alternatively, contractionary policies may take longer to reduce the deficit but may help control inflation, though they may slow economic growth and increase unemployment. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/24**

Paper 2 AS Level Data Response and Essays **October/November 2025**

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 2025 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.
- 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.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point
	Incorrect point
	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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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.

Social Sciences and Humanities Subject 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, e.g. a scattergun approach to a question asking for *n* items
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted)
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Assessment objectives

AO1 Knowledge and understanding

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

AO2 Analysis

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

AO3 Evaluation

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

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Table A: AO1 Knowledge and understanding and AO2 Analysis

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

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

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Table B: AO3 Evaluation

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

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

Section A

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Compare the forecast rates of economic growth for the US and Eurozone between 2023 and 2024.** • The forecasts for both the US and Eurozone have shown real economic growth between 2023 and 2024 • The forecast for the US has shown higher real economic growth than the Eurozone in both periods. • The forecast for the US has shown a fall in the rate of growth between 2023 and 2024 whereas the forecast for the Eurozone has shown an increase. **Guidance:** Only award marks for a valid **comparison** between the two years and the two economies. **Note: answers which suggest GDP in the US has fallen between 2023 and 2024 must <u>not</u> be credited as it is the rate of growth that has fallen.**	**2**
1(b)	**Explain <u>one</u> reason why the IMF uses percentage change in real GDP and not percentage change in nominal GDP when measuring economic growth.** • Nominal GDP growth shows the growth without taking into account inflation whereas real GDP growth removes the effects of inflation. **(1)** • It allows for a better / more meaningful comparison between years. **(1)** **Note:** do not award the 2nd mark without some understanding of the two terms in the question.	**2**
1(c)	**Explain, with the help of a diagram, why an increase in productivity in US firms may reduce the price of their products and consider whether this will always be the outcome.** • An increase in productivity suggests production is more efficient and will reduce costs. **(1)** • This should have the effect of shifting the supply curve to the right as shown on an accurately labeled diagram. **(1)** • The fall in price should be shown on the diagram, e.g., by an arrow or P1 P2, and linked to the increase in productivity. **(1)** For **evaluation 1 mark maximum:** An assessment why the price may not fall, e.g., because businesses decide not to pass the fall in potential price on to consumers and include the extra profit in their costs meaning the supply curve does not shift to the right or other costs increase to offset the improvement in productivity; due to perfectly elastic demand. **(1)**	**4**

Question	Answer	Marks
1(d)	**Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US.** **Up to 4 marks MAX for analysis of both benefits and costs** **Up to 3 marks for analysis of** the possible benefits of inflation, e.g., it may be a sign of economic growth and may encourage businesses to produce more and therefore reduce levels of unemployment etc. if the inflation rate is low and stable. Also, borrowers may gain. **Up to 3 marks for analysis of** the possible costs of inflation, e.g., menu and shoe leather costs, lenders may lose, fiscal drag, reduced international competitiveness etc., if the inflation rate is high or becomes prolonged. This may result in reduced investment due to uncertainty. **Up to 2 marks for evaluation of positive and negative effects**, e.g., it will depend on the level of inflation and whether it is likely to be prolonged. It also may depend on the rate of inflation in other countries. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less due to rising costs of production. Any valid evaluation must reflect this.	**6**
1(e)	**Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation.** **Up to 4 marks MAX for analysis of both advantages and disadvantages** **Up to 3 marks for analysis of** the possible advantages of maintaining interest rates at a high level, e.g., it is a contractionary demand policy that will reduce AD by reducing consumer expenditure and investment. This should lower inflationary pressure and keep inflation rates lower. **Up to 3 marks for analysis** of the possible disadvantages, e.g., it may reduce economic growth and increase unemployment if the policy is maintained for a long period of time. It may reduce international competitiveness if it leads to an increase in exchange rates. It may also not be appropriate if the cause of inflation is due to cost push factors, **Up to 2 marks for evaluation of the** advantages and disadvantages of maintaining interest rates at a high level to control inflation in the US. This may also include an assessment (although this is not essential) of other policies such as supply-side policy may be less damaging and fiscal policy. It also depends on the timescale. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less rising costs of production. Any valid evaluation must reflect this.	**6**

Section B

Question	Answer	Marks
EITHER		
2(a)	**Explain what is meant by the incidence of an indirect tax <u>and</u> consider the extent to which it is possible for the incidence to pass from a producer of a good to a consumer of that 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 up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** Of the meaning of an indirect tax and the incidence of an indirect tax. **Note:** a diagram is NOT essential but can be used, **with a separate explanation**, to show what is meant by an indirect tax and/or the incidence. • The incidence of tax refers to the extent of the burden/ proportion of tax borne by the producer and/ or consumer. **(1)** • An indirect tax is a tax placed on goods or services. **(1)** • It can be specific, i.e., a fixed amount per purchase or ad valorem, i.e., a % of the price charged by the retailer. **(1)** • Allow references to the fact that it is seen as regressive if explained, OR accurate examples OR that it can be used to reduce consumption of demerit goods or raise revenue for governments. **(1)** **Award a maximum of two marks if no explanation of incidence.** **AO2 Analysis (max 3 marks)** Of the possibility of passing the incidence from a producer to a consumer depending on PED. **Note:** a diagram is NOT essential but can be used, to assist an explanation in words, the possibility of passing the incidence from a producer to a consumer depending on PED. • The indirect tax has the effect of raising the price of the product or service by shifting the supply curve to the left. **(1)** • Analysis of the impact on the incidence if the PED is elastic. **(1)** • Analysis of the impact on the incidence if the PED is inelastic. **(1)** **AO3 Evaluation (max 2 marks)** The extent to which it is possible to pass the incidence of tax onto the consumer depends upon the PED. For explained assessment that it is more possible to pass on the incidence of tax to the consumer if the PED is inelastic. **Note: the second mark is reserved for a justified conclusion.**	**8**

Question	Answer	Marks
2(a)	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess the extent to which a government should subsidise the production of merit goods to increase the consumption of these goods.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • An understanding of what is meant by a merit good and a subsidy and how this might increase the consumption of merit goods. • An analysis of the advantages and disadvantages (effectiveness) of using a subsidy (including the limitations, e.g., imperfect information.) • Advantages include the fact that subsidies lead to lower costs for producers which should lead to lower prices for consumers and therefore increased consumption **whereas:** • Disadvantages include the cost to the government and imperfect information which may mean that consumption does not increase despite lower prices • An analysis of the advantages and disadvantages of at least **one** alternative policy that may be used, e.g., information provision, direct provision, (together with their limitations.) **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** That considers the extent to which a government should subsidise the production of merit goods to increase their consumption and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**Explain what determines elastic and inelastic price elasticity of supply (PES) and consider the extent to which the value of PES may differ between an agricultural good and a manufactured 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 up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • For an accurate definition (with reference to the responsiveness of supply to a % change in price) **or** formula for PES **(1)** • For an explanation of what is meant by **both** an elastic and an inelastic PES (with reference to the responsiveness of supply to a % change in price) **(1)** • An explanation of at least **one** factor that determines whether a good has an elastic or inelastic PES, e.g., time, stock levels, perishability **(1)** **AO2 Analysis (max 3 marks)** • An explanation of the factors that explain the PES for agricultural goods, e.g., an explanation that they are more likely to be inelastic due to, e.g. time taken to produce, the difficulty of holding stocks etc. **(up to 2 marks)** • An explanation of the factors that explain the PES for manufactured goods, e.g., an explanation that the value may be more elastic due to, e.g. spare capacity, ability to store unfinished and finished goods, time taken to produce. **(Up to 2 marks).** **AO3 Evaluation (max 2 marks)** For an evaluation as to the extent that the value may differ, e.g., due to their perishable nature, agricultural goods may be more PES inelastic unless better ways can be found to store them. **Note: the second mark is reserved for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Firms will often try to estimate elasticity values to judge the possible success of decisions to change prices or to introduce new products.** **Assess the extent to which an understanding of income elasticity of demand (YED) may be more useful than cross elasticity of demand (XED) in increasing the income from sales for a firm.** 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 concepts of YED and XED. • YED can be used to predict the demand for different categories of goods depending on changes in income. • It can therefore be used to predict changes in possible sales revenue. • XED can be used to predict changes in revenue depending on whether it is a complement or a substitute and the closeness of the relationship. • It can then be used to predict sales revenue depending upon the actions of other businesses in setting their prices. • An assessment of the limitations of both measures, e.g., they are estimates and will change over time. **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. **Unless the answer is directly related to increasing the income from sales for a firm, then award a maximum of mid-Level 2 marks.** **AO3 Evaluation** Of the extent to which the knowledge of YED is more useful than XED in increasing sales revenue and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8

Question	Answer	Marks
3(b)	AO3 Evaluation	4

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Section C

Question	Answer	Marks
EITHER		
4(a)	**Using <u>two</u> tools of protection, explain what is meant by protectionism <u>and</u> consider the extent to which these two tools may benefit an economy.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Protectionism is when governments seek to protect domestic industries from foreign competition. **(1)** • Two examples of protectionism from import tariffs, import quotas, export subsidies, embargoes, and excessive administrative burdens **(1)** • With some explanation as to how both tools protect domestic industries. **(1)** **AO2 Analysis (max 3 marks)** • For an explanation of the possible benefits of the selected tools to an economy, e.g., improve the current account, preserve strategic industries, maintain employment **(1 per selected tool MAX 2 marks)** • For an explanation of the possible drawbacks of the selected tools to an economy, e.g., the policies may not work, e.g., because of elasticity values, retaliation by other countries. **(1 per selected tool MAX 2 marks)** **3 marks maximum for analysis.** **Note: If only 1 tool is considered then 2 marks maximum.** **AO3 Evaluation (max 2 marks)** For an assessment of the extent to which the selected examples may benefit an economy **including** possible drawbacks, e.g., retaliation. **Note: the second mark is reserved for a justified conclusion.** **Please use a text box to show the mark split, e.g., 2,2,1**	**8**
	AO1 Knowledge and understanding	**3**
	AO2 Analysis	**3**
	AO3 Evaluation	**2**

Question	Answer	Marks
4(b)	**Assess the extent to which the principle of comparative advantage should be the main factor to consider when countries decide to trade with each other.** 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** • Knowledge and understanding of the principle of comparative advantage. • An explanation of the main benefits, e.g., an efficient allocation of resources, an increase in world output and employment, lower world prices and better and a wider choice of products all derive from specialisation due to comparative advantage. • An explanation of the limitations of the theory, e.g., the danger of over specialisation, high transport costs offsetting the benefits, possible increase in unemployment, maybe strategic problems. **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** Of the extent to which comparative advantage should be the main determinant for international trade between countries, considering the importance of other factors, e.g. strategic, that arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
5(a)	**Explain the difference between structural unemployment and cyclical unemployment <u>and</u> consider the extent to which structural unemployment is likely to be more damaging to an economy than cyclical 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 up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Unemployment is a situation where people are willing and able to work but do not have a job. **(1)** • Structural unemployment occurs due to structural changes in an economy because of changes in the pattern of supply and demand for products, services, and labour. **(1)** • Cyclical unemployment occurs due to a lack of aggregate demand within an economy because of, e.g., a downturn in the economic cycle. **(1)** **AO2 Analysis (max 3 marks)** Analysis may focus on the following but must compare the two types. **Note:** if only one type is analysed, **two marks max and no evaluation marks may be awarded.** • Structural unemployment may be more serious depending on the importance of the affected industry to an economy because it is more likely to be permanent. • It can be focused on entire regions, whereas: • Cyclical unemployment may be more serious as it affects the entire country. • Both will lead to a loss of income and people affected are less likely to be able to find work. **AO3 Evaluation (max 2 marks)** For an assessment of which type is likely to be most serious and may consider the timescale, the ease of retraining (if structural), the number of people affected, etc. **Note: the second mark is reserved for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	**3**
	AO2 Analysis	**3**
	AO3 Evaluation	**2**

Question	Answer	Marks
5(b)	**Low unemployment is a macroeconomic policy objective for a government.** **Assess the extent to which this is most likely to be achieved by supply-side 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** • An understanding of what is meant by supply side policy. • Analysis of different types of supply side policy designed to reduce unemployment which may include training and education, reducing benefits, infrastructure development, reducing taxes • Analysis of the limitations of such policies. • Analysis of other policies such as fiscal and monetary policy designed to increase AD and may be more appropriate if unemployment is cyclical. • Examples may include extra government spending and reducing income taxes together with reducing interest rates. • Analysis of the limitations of alternative policies. **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** Of the extent to which a low level of unemployment is most likely to be achieved by supply side policy and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	**8**
	AO3 Evaluation	**4**

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