Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **February/March 2022**

MARK SCHEME

Maximum Mark: 40

Published

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

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

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

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Generic Marking Principles

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

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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

1 Components using point-based marking:

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

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

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

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

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

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Question	Answer	Marks	Guidance
1(a)	**With reference to Fig 1.1 describe how Turkey's current account balance has changed between August 2019 and April 2020.** It has gone/changed/moved from a surplus **(1 mark)** to a deficit **(1 mark)**	**2**	This is the only appropriate answer. Do not reward references to positive and / or negative figures / worsening etc. Equally, chronological descriptions of each year should not be credited even if references to surplus and/ or deficit are made throughout. The only exception is if it is clear that the candidate recognises the correct change over the time period e. g as a summative comment.
1(b)	**How could the data in Fig 1.2 be used to explain the changes in the terms of trade between August 2019 and April 2020 as shown in Fig 1.3?** The rate of inflation in Turkey suggests that there is a rise in Turkey's export prices **(1 mark),** if import prices will rise by less this will lead to a rise in the terms of trade as shown **(1 mark)**	**2**	The data clearly shows that prices have risen consistently over the time period and that terms of trade have risen from a value of 103.47 to 110.32.

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Question	Answer	Marks	Guidance
1(c)	**'Consumer price inflation was 8.6% per annum in October 2019 and is now 11.4%, reducing the international competitiveness of Turkey's goods and services.'** **Explain, using the concept of price elasticity of demand, how the increase in inflation has caused the change in Turkey's current account of the balance of payments between October 2019 and April 2020 as shown in Fig 1.1.** Clear understanding of PED either by means of a formula or explanation based on % changes or responsiveness (1 mark) Recognition that the data (TOT) shows that export prices have increased more than import prices and an explanation of how the value of PED will affect export revenue (1 mark) and import expenditure respectively (1 mark) For reference to the Marshall-Lerner condition needing to be fulfilled to turn the current account surplus to a deficit (1 mark)	**4**	It is necessary for candidates to have a sound grasp of the core concepts especially the terms of trade, PED, and the Marshall-Lerner condition. The change from a surplus to a deficit will only occur if the Marshall-Lerner condition is fulfilled. The understanding of PED may be implicit based on the explanations of how the value of PED will affect export revenue and import expenditure and the first mark can therefore be awarded. If the answer only considers the impact on export revenue OR import expenditure, then a maximum of 2 marks may be awarded.
1(d)	**Explain how a negative real rate of interest in Turkey will affect the function of money as:**		
1(d)(i)	**a standard of deferred payment.** for explaining what is meant by a 'standard of deferred payment' **(1 mark)** for explaining how this function of money will be affected by negative rates of interest i.e. **who** might be affected e.g., borrowers (1 mark) and **how** e.g., they will pay back less than they borrowed in real terms (1 mark) **(Up to 2 marks)**	**3**	If interest rates are negative, it means that borrowers will pay back less than they have borrowed in real terms.

Question	Answer	Marks	Guidance
1(d)(ii)	**a store of value.** for explaining what is meant by a 'store of value'. **(1 mark)** for explaining how this function of money will be affected by negative rates of interest i.e. **who** might be affected e.g., savers (1 mark) and **how** e.g., the value of their savings would be reduced in real terms (1 mark) **(Up to 2 marks)**	**3**	If interest rates are negative, it means that savings are losing value in real terms.
1(e)	**Discuss, with the help of an aggregate demand and aggregate supply diagram, whether further cuts in Turkey's interest rate are likely to 'generate inflation' or 'speed up the economic recovery'.** For an accurate aggregate demand/aggregate supply diagram showing equilibrium national income and price level (**1 mark**). For an explanation using the diagram (**1 mark**) of the impact of a cut in interest rates upon aggregate demand **(up to 2 marks)**. For evaluative comment that considers whether the interest rate cut will impact upon prices/employment/economic growth. **(Up to 2 marks)** with 1 mark reserved for a valid conclusion	**6**	Cuts in the rate of interest are expected to increase consumption and investment. In addition, the exchange rate will fall causing a rise in net exports. Aggregate demand will rise, but the impact upon prices and output and employment will be determined by the position of equilibrium national income. If there is no diagram or an inaccurate diagram, then the maximum mark is 4 i.e. 0,2,2.

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Question	Answer	Marks	Guidance
2(a)	**Explain with the help of a production possibility curve diagram(s) how a decision to re-allocate resources in an economy to produce more capital goods and fewer consumer goods would affect consumers in both the short run and the long run.** For **knowledge and understanding** of production possibility curves showing an accurate diagram labelled consumer goods and capital goods or equivalent (**up to 2 marks)**. For **application** showing a movement along the curve in the short run **(1 mark)** meaning fewer consumer goods and services available for consumption **(1 mark)** leading to less choice / higher prices / lower living standards in the short run **(1 mark)**. For **application** showing an outward shift of the curve in the long run **(1 mark)** perhaps leading to more consumer goods and services due to an expansion of capacity in the economy (**1 mark)** and an increase in living standards etc **(1 mark)**.	**8**	The PPC diagram should show consumer goods and capital goods on the axes. These terms do not have to be used, but it must be clear that the candidate understands the distinction between the two. The significance of the reallocation should be clearly understood. In the short run the consumer will have less goods and services available to consume. In the long run there may be a shift outward in the PPC as more capital goods are produced and the economy's capacity expands. An accurate diagram must include accurate labels with the PPC touching both axes.

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Question	Answer	Marks	Guidance
2(b)	**Discuss whether the transition from a planned economy to a market economy will always be better for consumers.** For **analysis** of the potentially positive consequences of the transition for consumers **OR** the advantages and disadvantages to consumers of a planned economy. For an analysis of just one (3 max). **(Up to 4 marks)** For **analysis** of the potentially negative consequences of the transition for consumers **OR** the advantages and disadvantages to consumers of a market economy. For an analysis of just one (3 max). **(Up to 4 marks)** **8 marks maximum** For **evaluation** that considers the 'will always' element of the question. **(Up to 3 marks)** to arrive at a reasoned conclusion. **(1 mark)**	**12**	The transition to a market economy will represent a movement towards consumer sovereignty. If there is imperfect information however there will be an underproduction of merit goods and an overproduction of demerit goods. Candidates are required to consider the advantages and disadvantages of a market economy and then to exercise some judgement about whether the transition will always be better for consumers. **Reverse arguments should not be rewarded twice.**

Question	Answer	Marks	Guidance
3(a)	**Use examples to explain why the supply of some products is price elastic and the supply of other products is price inelastic.** For **knowledge and understanding** of what is meant by price elasticity of supply. What it measures **(1 mark)** and the formula **(1 mark).** For **application** that uses valid example(s) to explain price elastic supply **(1 mark)** identifies a factor that makes the supply of the product price elastic **(1 mark)** and why **(1 mark)** explanation of a factor that influences the elasticity. **(Up to 3 marks)** For **application** that uses valid example(s) to explain price inelastic supply **(1 mark)** identifies a factor that makes the supply of the product price inelastic **(1 mark)** and why **(1 mark)** explanation of a factor that influences the elasticity. **(Up to 3 marks)**	**8**	For full marks there must be an explanation of at least two factors that influence elasticity. If the candidate considers only one factor and reverses this factor, then 1 maximum for the second application. For example, if a candidate suggests that a product is elastic in supply because there are plentiful resources and then reverses this to explain that price might be inelastic because of a shortage of resources, this can only be credited once.
3(b)	**Discuss the ways in which fiscal policy can be used to increase the aggregate supply of products in an economy and consider whether this approach is likely to be effective.** For **analysis** that considers how changes in taxation can influence aggregate supply with reference to the difficulties associated with this approach. For an analysis of how changes in taxation might work without the possible difficulties (3 max). **(Up to 4 marks)** For **analysis** that considers how changes in government spending can influence aggregate supply with reference to the difficulties associated with this approach. For an analysis of how changes in government spending might work without the possible difficulties (3 max). **(Up to 4 marks)** **8 marks maximum** For **evaluation** that fully assesses the effectiveness of these approaches in increasing aggregate supply of products in an economy (**up to 3 marks)** and arrives at a reasoned conclusion concerning whether fiscal policy is likely to be effective. **(1 mark)**	**12**	Cuts in income and business taxes may provide incentives and increase the supply of labour and entrepreneurship to the economy. The difficulty is that they might not stimulate these resources. In addition, this could lead to a budget deficit and possible inflation. Increases in government spending could be directed to improving labour skills. Subsidies would also be included in this category encouraging for e.g., investment in R & D. This could also lead to a budget deficit and may take some time before this comes to fruition. A comparison of fiscal policy with another policy may be relevant within the evaluation but is not relevant analysis.

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Question	Answer	Marks	Guidance
4(a)	**An economy is facing the shutdown of its steel making industry as a result of cheap foreign imports.** **Explain what is meant by 'protectionism' and describe two ways in which this steel industry could be protected** For **knowledge and understanding** of the meaning of protection in terms of giving an advantage to domestic industries/protecting domestic industries **against** foreign competition **(1 mark)** through interference with the free market / restricting free trade / increasing the price competitiveness of domestic industries against foreign competition. **(1 mark)** For **application** that illustrates how industries are protected. Identification of a method **(1 mark)** and an explanation of how the chosen method works in practice **(1 mark)** and develops how this bestows advantage on the domestic industry. **(1 mark)** **(Up to 3 marks)** **2 methods × 3 marks: 6 maximum**	**8**	Candidates should not be credited for simply stating that protectionism is 'protecting industries'. There must be a developed reference to foreign competition. Accept any valid method of protection for e.g., tariffs, export subsidies, quotas etc.
4(b)	**Discuss the advantages and disadvantages of protecting an industry such as steel and consider whether the protection will be of overall benefit to this economy** For **analysis** of the advantages of protecting the industry. **(up to 4 marks)** For **analysis** of the disadvantages of protecting the industry. **(up to 4 marks)** **8 marks maximum** For **evaluation** that considers the relative effect of the advantages and disadvantages of protection **(Up to 3 marks)** to arrive at a reasoned conclusion on the overall benefit to the economy. **(1 mark)**	**12**	Advantages include, the infant industry argument, anti-dumping and protecting employment. Disadvantages include the fact that resources may not be allocated in their most efficient use, there might be retaliation and consumers will have to pay higher prices. Overall benefit should be fully considered for evaluation marks.

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