CAMBRIDGE
International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/22**

Paper 2 AS Level Data Response and Essays **February/March 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 February/March 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.



© Cambridge University Press & Assessment 2025

## 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.

© Cambridge University Press & Assessment 2025 

## 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.

© Cambridge University Press & Assessment 2025 

**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.

© Cambridge University Press & Assessment 2025 

## 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 | Description | Use |
|---|---|---|
|  | Tick | Correct point |
|  | Cross | Incorrect point |
|  | Question mark | Unclear response |
|  | Information missing | Key information missing from response |
|  | Knowledge & understanding | Indicates knowledge and understanding of the concepts and issues relating to the question. |
|  | Analysis | Indicates where the answer has demonstrated analysis. |
|  | Application | Indicates appropriate reference to the information provided |
|  | Effective Evaluation | Indicates where the answer has demonstrated particularly strong/justified evaluation |
|  | Benefit of doubt | Used when the benefit of the doubt is given in order to reward a response. |
|  | Not answered question | Used when the answer or parts of the answer do not answer the question asked. |
|  | Noted but no credit given | Indicates that the page or content has been seen by examiner, but no credit given. |
|  | Too vague | Used when parts of the answer are considered to be too vague to be given credit. |

## 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.

© Cambridge University Press & Assessment 2025 

**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 are included, using relevant explanations. Explanations are supported by examples, where appropriate.<br><br>The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations.<br><br>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.<br><br>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 are included, using explanations and examples that are limited, over-generalised or contain inaccuracies.<br><br>The response addresses the general theme of the question and the relevant economic issues, with limited development.<br><br>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.<br><br>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.<br><br>The response has little relevance to the question.<br><br>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.<br><br>Responses show limited organisation of economic ideas. | 1–2 |
| **0** | No creditable response. | 0 |

© Cambridge University Press & Assessment 2025 

**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.<br><br>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.<br><br>Makes simple evaluative comment(s) with no development and little supporting evidence. | 1–2 |
| **0** | No creditable response. | 0 |

© Cambridge University Press & Assessment 2025 

**Section A**

| Question | Answer | Marks |
|---|---|---|
| Follow the point-based marking guidance at the top of this mark scheme. | | |
| 1(a) | **Using Fig. 1.1, calculate the percentage change in the world price of olive oil between May 2022 and January 2023.**<br><br>An increase /rise etc. **(1)** of 43.8 (%) **(1)**<br><br>**Guidance:** Accept any figure between 43 and 44 **Note:** as the question refers to the 'percentage change' the % sign can be inferred if missing. | **2** |
| 1(b) | **Some restaurants and commercial kitchens are using sunflower as an alternative to olive oil.**<br><br>**Explain how economists would measure the impact of rising olive oil prices on the demand for sunflower oil.**<br><br>For recognition that they would use cross elasticity of demand / accept the formula **(1)** for recognition that as the two goods will be substitutes, the coefficient value will be positive **(1).** | **2** |
| 1(c) | **With reference to Fig 1.2 and the help of a demand and supply diagram, consider the possible impact of increased olive oil prices in 2023 on consumer surplus.**<br><br>• Correctly labelled diagram showing initial CS **(1)**<br>• Leftward shift in Supply curve establishing new CS (due to the increase in price / fall in QS) **(1)**<br>• Explanation that as there is a reduction in the difference between the price the consumer is willing to pay and the market price the consumer surplus will be expected to fall (1)<br><br>Up to **1 mark for valid evaluation** e.g., the impact on consumer surplus will depend on the ped for olive oil including some explanation | **4** |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| 1(d) | **Assess the likely impact of increasing stocks of olive oil on the price and quantity of olive oil traded in the future.**<br><br>**Up to 3 marks for explanation / analysis that increasing stocks will lead to a fall in price/rise in quantity.**<br><br>For an explanation that e.g., stocks will initially reduce supply in the market **(1)** raising the price **(1)** and reducing the equilibrium quantity **(1);** the increase of stocks will allow for an increased supply when olive harvests are low (**1)** and reduce equilibrium price **(1)** This will reduce volatility in the market **(1)** and stabilise incomes for producers **(1).**<br><br>**Up to 3 marks for explanation / analysis that increasing stocks will not lead to a fall in price/rise in quantity.**<br><br>If the cost of storing the olives is significant then olive producers may still need to increase prices **(1).** Consumers may perceive the quality of 'stored' olives of a lower quality/ the quality of the olives may deteriorate over time **(1)** and may reduce demand and switch to alternatives which may reduce the quantity traded **(1).**<br>**4 marks max for analysis**<br><br>**Evaluation**<br>That clearly assesses the likely impact on both the price and quantity of olive oil e.g. by considering the extent of any price change being dependent upon that which sufficient stocks can be held – **reserve 1 mark for a justified conclusion.** | **6** |

| Question | Answer | Marks |
|---|---|---|
| 1(e) | **Assess the extent to which a fall in the value of the US dollar against the euro is likely to affect US imports of olive oil from the EU.**<br><br>**For explanation/ analysis (up to 4 marks)**<br><br>**Up to 3 marks for explanation / analysis** of the likely negative effects on US imports of olive oil from the EU<br>A fall in the value of the US dollar (depreciation) would increase the dollar price of US imports of EU olive oil **(1)** which may reduce demand and imports of olive oil from the EU **(1)** Additionally, this may lead to an increase in demand for imports of olive oil from outside the EU / imports of olive oil substitutes again reducing the demand and import of olive oil from the EU **(1)**<br><br>**Up to 3 marks for explanation / analysis** of why a fall in the value of the US dollar might have a limited effect on US imports of olive oil from the EU.<br><br>The impact on the import of olive oil from the EU may be limited if PED is inelastic **(1)** due to a lack of substitutes **(1)** because of the situation in the Ukraine influencing the supply of sunflower oil **(1).** It may be limited depending on the time period of the fall in the exchange rate if olive oil is easily stored and can be used to smooth out fluctuations in the exchange rate **(1)**<br><br>**4 marks max for analysis**<br><br>**Up to 2 marks for evaluation**<br>That clearly considers **both** perspectives **and** concludes the likely extent of the change on US imports of olive oil from the EU. **Reserve 1 mark for a justified conclusion.** | **6** |

© Cambridge University Press & Assessment 2025 

**Section B**

| Question | Answer | Marks |
|---|---|---|
| **EITHER** | | |
| 2(a) | **With the help of a production possibility curve (PPC) diagram, explain the terms scarcity and choice and consider the extent to which every choice has an equal opportunity cost.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and Understanding (max 3 marks)**<br>An accurate PPC diagram – a concave or straight-line curve that meets both axes with appropriate and correctly labelled axes **(1);** explanation of scarcity and / or opportunity cost **(1)** and how the scarcity in factor endowments/scarce results and infinite wants results in choices having to be made **(1).**<br><br>**AO2 Analysis (max 3 marks)**<br>**If the candidates uses a straight line PPC**<br>Uses the diagram to explain that scarcity is shown as a point on the straight line PPC (1); the opportunity cost of changing production combinations is shown as a movement along the PPC (1), the opportunity cost is equal due to the negative one gradient of the PPC (accept constant trade off although not strictly true) (1)<br><br>**If the candidates uses a concave PPC**<br>Uses the diagram to explain that scarcity is shown as a point on the concave PPC (1); the opportunity cost of changing production combinations is shown as a movement along the PPC (1), the opportunity cost is not equal due to the increased trade-off the greater the proportion of resources allocated to the production of a good (1)<br><br>**AO3 Evaluation (max 2 marks)**<br>One mark for a valid explanation that the extent to which each choice has an equal opportunity cost depends on the shape of the PPC (1) or whether or not there are unused factors of production when the choice is being made (1).<br>**Reserve 1 mark for a justified conclusion.** | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| 2(b) | **Assess whether the allocation of resources by the free market is always desirable for an economy.**<br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br>An understanding of the term free market economy<br>An explanation of the potential advantages of a free market economy – efficient allocation of scarce resources, competitive prices and increased choice for consumers, increased innovation and invention, increased investment (via the profit motive), reduction in monopoly power<br>An explanation of the potential disadvantages of a free market economy – under-provision of merit goods/overproduction of demerit goods, absence of public goods, negative externalities, private sector monopolies, increased income and wealth inequalities<br><br>**Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.<br><br>**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.<br><br>**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.<br><br>**AO3 Evaluation**<br>Consideration that fully assesses the extent to which the allocation of resources in the free market is always desirable.<br><br>**A one-sided response cannot gain any marks for evaluation.**<br><br>Accept all valid responses. | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| **OR** | | |
| 3(a) | **Explain what is meant by a public good and a private good (economic good) and consider the extent to which a beach could be described as a public good.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and Understanding (max 3 marks)**<br>Explanation of rivalrous/non rivalrous **(1)** Explanation of excludable/non excludable **(1)** Correctly applied to a public good and a private good (economic good) to explain the difference **(1)**<br><br>**AO2 Analysis (max 3 marks)**<br>The extent to which a beach might be rivalrous (1); the extent to which a beach might be excludable (1); the alternatives are also considered (1)<br><br>**AO3 Evaluation (max 2 marks)**<br>One mark for a valid explanation that the extent a beach could be described as a public good (e.g. a quasi-public good). **Reserve one mark for a justified conclusion.** | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| 3(b) | **Assess whether a subsidy is likely to be the best method to increase the consumption of merit goods.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br>**AO1 Knowledge and understanding and AO2 Analysis**<br>The meaning of the terms subsidy/merit goods<br>An explanation of how a subsidy would reduce the costs of production which would, in turn, reduce the price and increase the quantity demanded.<br>An explanation of potential problems from using subsidies – opportunity cost of increased government spending, increased dependency, incorrect targeting, when to remove provision.<br>An explanation of alternative methods e.g. improved information but the analysis must focus on how the method would increase the consumption of merit goods.<br><br>Accept any valid policies but the analysis must focus on how they may increase the consumption of merit goods and discuss their advantages and disadvantages.<br><br>**Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.<br><br>**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.<br><br>**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.<br><br>**AO3 Evaluation**<br>Consideration that fully assesses the relative effectiveness of subsidies with at least one other method and arrives at a reasoned conclusion - for example, the relevance of elasticities of demand<br><br>A justified conclusion as to whether introducing subsidies is the best method to increase the consumption of merit goods.<br><br>**A one-sided response cannot gain any marks for evaluation.**<br><br>Accept all valid responses. | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |

**Section C**

| Question | Answer | Marks |
|---|---|---|
| **EITHER** | | |
| 4(a) | **With the help of a formula, explain two reasons for an improvement in the terms of trade and consider the extent to which an improvement in the terms of trade will benefit an economy.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and Understanding (max 3 marks)**<br>An accurate definition of the terms of trade **OR** An accurate formula (1)<br>Understanding that there is likely to be an improvement in the terms of trade if export prices rise (1) relative to import prices (1).<br><br>**AO2 Analysis (max 3 marks)**<br>An improvement in the terms of trade means that a unit of export buys relatively more imports (1) which may lead to an improvement in living standards (1) as imported goods appear cheaper to consumers (1). BUT this may lead to a current account deficit **(1) MAX 2** if only benefits considered<br><br>**AO3 Evaluation (max 2 marks)**<br><br>That assesses the advantages and disadvantages of an improvement in the terms of trade in terms of e.g., levels of unemployment and PED values and reaches a conclusion as to whether this is of benefit to an economy. Reserve **1 mark** for a valid conclusion. | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| 4(b) | **Assess whether the consequences of free trade are always positive for an economy.**<br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br>Understanding of the terms free trade<br>How free trade may benefit an economy – this may include – increased economic growth, reduction in unemployment, improved public finances, improved balance of payments.<br>An explanation of the drawbacks of free trade – reduced domestic growth, increases in structural unemployment, over reliance on other countries for goods not produced domestically, possibility of current account deficit.<br><br>**Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.<br><br>**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.<br><br>**Level 3 responses** will consider both the potential positives and negatives and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.<br><br>**AO3 Evaluation**<br>Consideration that fully assesses the consequences of free trade and arrives at a reasoned conclusion concerning whether it is always positive – this may include reference to availability of factor endowments, how 'open' an economy is, stage of development etc.<br><br>**A one-sided response cannot gain any marks for evaluation.**<br><br>Accept all valid responses. | **12** |
| | 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 what is meant by an expansionary fiscal policy and consider the extent to which an expansionary fiscal policy will increase the level of aggregate demand.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and Understanding (max 3 marks)**<br><br>A clear understanding of what is meant by:<br><br>Expansionary fiscal policy being an increase in government spending and/or reduction in tax rates (1)<br>Aggregate demand is the total demand for an economy's goods and services at a given price level / it is the total of C + I + G +(X-M) (1)<br>An accurate diagram showing AD and AS curves (1)<br><br>**AO2 Analysis (max 3 marks)**<br>An explanation of how a decrease in income tax (for example) will increase disposable income (1) that cause an increase in consumption/which (as a component of AD) causes an increase in aggregate demand (1). A diagram showing a rightwards shift in the AD curve (1).<br><br>**AO3 Evaluation (max 2 marks)**<br>One mark for an explanation of whether expansionary fiscal policy will increase the level of aggregate demand **(1).** One mark for a justified conclusion. | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

| Question | Answer | Marks |
|---|---|---|
| 5(b) | **Assess whether supply-side policy is the best method to reduce the rate of inflation.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br>**AO1 Knowledge and understanding and AO2 Analysis**<br>The meaning of the terms supply-side policy and inflation<br>An explanation of how supply-side policy would reduce the rate of inflation from increasing the productive capacity of an economy – e.g., improving the quality of factors of production via – education and training, improved health provision, development of infrastructure (road/rail links, broadband)<br>An explanation of the drawbacks of using supply-side policy to reduce the rate of inflation – significant time lags, opportunity cost of government spending, lack of retained profit for firms to train staff, the quality of education and training, possible increase in government debt.<br>An explanation of the advantages and disadvantages of at least one alternative policy that might be used to reduce the rate of inflation e.g., monetary and/or fiscal policy.<br><br>**Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.<br><br>**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.<br><br>**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.<br><br>**AO3 Evaluation**<br>Consideration that fully assesses the relative effectiveness of supply side policy to reduce the rate of inflation compared with at least one other policy and arrives at a reasoned conclusion concerning whether the supply side policy is the 'best' policy.<br><br>**A one-sided response cannot gain any marks for evaluation.**<br><br>Accept all valid responses. | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |

© Cambridge University Press & Assessment 2025 