Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **May/June 2018**

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.

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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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Question	Answer	Marks	Guidance
1(a)(i)	Malaysia **(1 mark)** NZ$895 million **(1 mark)**	**2**	The answer must have correct figures and denominations i.e. NZ$ and millions units.
1(a)(ii)	Trade in services is NZ$2400m + NZ$429m = NZ$2829m **(2 marks)**	**2**	There is no requirement to show the calculation, but if there is a correct calculation that arrives at the wrong answer 1 mark can be awarded.
1(a)(iii)	Primary income **(1 mark)** Secondary income **(1 mark)**	**2**	'Old' terminology is an acceptable alternative i.e. net transfers and investment income.
1(b)	For a clear idea that comparative advantage relates to the lowest opportunity cost of production **(1 mark)** For recognition that comparative advantage is determined by factor endowment **(1 mark)** For an explanation of how New Zealand's membership of the TPP will lead to the exploitation of comparative advantage and a better allocation of resources through specialisation and trade **(Up to 2 marks)**	**4**	New Zealand has a comparative advantage in lamb and dairy products. Entry into the TPP will allow New Zealand access to a bigger market and through specialisation and trade it will be able to export more of these products and import those goods that it can only produce at higher opportunity cost.
1(c)	For explanation of how there might be negative effects upon Canadian farmers incomes **(Up to 2 marks)** For explanation of how there might be beneficial effects upon Canadian farmers incomes **(Up to 2 marks)**	**4**	The most likely outcome is that the Canadian market will be flooded with cheap food imports from other members of the TPP, especially New Zealand. If so, this will reduce prices and the incomes of those farmers who produce similar products. It could also be argued that membership of the TPP provides new opportunities for Canada's farmers with tariff and quota free access to new markets within the TPP. This could have a positive effect on certain farm incomes. Overall outcome though is uncertain.

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Question	Answer	Marks	Guidance
1(d)	For an **explanation** of the possible costs: **(Up to 3 marks)** For an **explanation** of the possible benefits: **(Up to 3 marks)** **Reserve 1 mark** for a reasoned conclusion	**6**	There are both costs and benefits that could result if China joined the TPP: Possible costs include : the domestic market could be flooded with cheap imports; there might be increased balance of trade deficits, infant industries might be prevented from development and so on. Possible benefits include : tariff free access to the massive Chinese market; increase in scale of production of exporting industries leading to economies of scale and so on.
2(a)	For **knowledge and understanding** and **application** in the case of direct, progressive taxes **(Up to 4 marks)** **1 mark** for a valid example **1 mark** for a clear idea of meaning of 'direct' **Up to 2 marks** for an explanation of a progressive tax For **knowledge and understanding** and **application** in the case of indirect, regressive taxes **(Up to 4 marks)** **1 mark** for a valid example **1 mark** for a clear idea of meaning of 'indirect' **Up to 2 marks** for an explanation of a regressive tax	**8**	Candidates need to display good knowledge and understanding of the distinction between direct and indirect taxes and taxes that are progressive and regressive. They then need to apply these concepts o provide an example of each type of tax.

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Question	Answer	Marks	Guidance
2(b)	For **analysis** of the impact of a sugar tax **(Up to 4 marks)** This should explain the impact of the tax upon supply and make due reference to the significance of the price elasticity of demand. Credit accurate diagrams. For **analysis** of the impact of an educational campaign **(Up to 4 marks)** This should explain the impact of the campaign upon the demand curve for 'fizzy soft drinks' or similar products. Credit accurate diagrams. **(AN: Up to 8 marks maximum)** For **evaluation** as to whether the new tax or an educational campaign is more likely to reduce child obesity with **1 mark** reserved for a reasoned conclusion **(EV: Up to 4 marks maximum)**	**12**	The imposition of an indirect tax will shift the supply curve to the left raising price and reducing quantity demanded. The impact depends upon the price elasticity of demand for the product. An educational campaign will shift the demand curve for the product to the left. This will reduce price and result in a fall in the quantity demanded. The impact depends upon the effectiveness of the campaign.

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Question	Answer	Marks	Guidance
3(a)	For **knowledge and understanding** of two relevant factors of production in the manufacture of chocolate. Award **1 mark** for identification and 1 mark for explanation of how this contributes to the production process. **(KU: Up to 4 marks maximum)** For an understanding of specialisation and its **application** to the manufacture of chocolate. For an understanding of specialisation **(1 mark)** and the division of labour **(1 mark)** For the benefits of specialisation and the division of labour **(Up to 2 marks)** **(APP: Up to 4 marks maximum)**	**8**	The factors of production are land, labour, capital and enterprise. Each has a distinct role in the production process. Specialisation occurs when workers are assigned specific tasks within a production process. This is usually called the division of labour. Workers will require less training to be an efficient worker. Therefore this will lead to an increase in labour productivity and firms will be able to benefit from economies of scale and increased efficiency. No knowledge of chocolate manufacture is required for full marks on this question.
3(b)	For an **analysis** of the impact of the increase in demand and the likely fixed supply on the market for chocolate in terms of price and quantity traded **(Up to 2 marks)** For an **analysis** of how the price may be stabilised with reference to the difficulties. **(Up to 6 marks)** **(AN: Up to 8 marks maximum)** For an **evaluation** of the most effective way of stabilising the price of chocolate with **1 mark** reserved for a reasoned conclusion. **(EV: Up to 4 marks maximum)**	**12**	An increase in demand with a relatively fixed supply will result in a rise in price with no or little extension in supply. The supply will be highly inelastic or perfectly inelastic. Price can be stabilised through a maximum price that might be made effective through buffer stocks. This has several problems including cost and problems of storage.

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Question	Answer	Marks	Guidance
4(a)	For an **knowledge** and **understanding** and **application** of cost-push inflation **(Up to 6 marks)** For an **knowledge and understanding and application** of demand-pull inflation **(Up to 6 marks)** **(8 marks maximum)**	**8**	The question refers to 'causes' so we should expect candidates to make reference to at least two causes. If, however, the candidate provides application to one country and explains that there is only one cause of inflation in that country then up to 6 marks are available.
4(b)	For **analysis** of how monetary policies might be used to correct inflation with due reference to the advantages and disadvantages of this approach. **(Up to 4 marks)** For **analysis** of how at least **one** other policy might be used to correct inflation with due reference to the advantages and disadvantages of this approach. **(Up to 4 marks)** **(AN: Up to 8 marks maximum)** Up to 4 marks for an **evaluation** as to whether monetary policy is the best way to correct inflation with 1 mark reserved for a reasoned conclusion. **(EV: Up to 4 marks maximum)**	**12**	Candidates need to explain how governments might use monetary policy to cure inflation and the difficulties associated with this. They can then compare this policy with fiscal and or supply side methods.

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