Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **May/June 2020**

MARK SCHEME

Maximum Mark: 40

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

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

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & 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 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.

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
1(a)	**Calculate the percentage of Nigeria's national output that is accounted for by Lagos.** US$136 billion/US$405 billion = 33.58024% **(1 mark)**	**1**
1(b)	**Distinguish between a country's balance of trade and its terms of trade.** • For an explanation of a country's balance of trade, i.e. the difference in the value of the exported and imported goods and services **(1 mark)** • For an explanation of a country's terms of trade, i.e. the difference in the average prices of exports and imports (index number showing the average price of exports divided by the index number showing the average price of imports × 100/1) **(1 mark)** **For an explicit distinction between the two concepts, stressing that one involves values and one involves prices. (1 mark)**	**3**
1(c)	**Explain the contribution of the factor enterprise to the successful economic transformation of Lagos.** Candidates could stress the importance of: • the majority of Nigerian entrepreneurs are operating in Lagos • entrepreneurship has certainly played a key role in the modern Lagos economy; the encouragement of start-up initiatives can be stressed • the need to be innovative has been increasingly recognised; the development of new goods, services and markets can be stressed • Lagos is the centre of thriving music, fashion, film and technology industries that have significant influence throughout Africa **4 marks maximum (a max of 2 marks for an explanation of the factor enterprise and a max of 2 marks for link to the successful economic transformation of Lagos)**	**4**
1(d)(i)	**Explain why 'free trade zones' (FTZ) can be considered a supply-side policy.** • Role that free trade zones, as a supply-side policy, can play in the development and expansion of the Lagos economy • Role of private sector in helping to turn Lagos into the most productive and dynamic part of the Nigerian economy; link between private ownership, productivity and dynamism can be stressed • Generous tax incentives; this will leave firms with substantial funds to finance development and expansion • Help to lower costs, remove bureaucracy and make the economy more flexible and efficient • Up to 2 marks for explanation of free trade zones as a supply-side policy **(2 marks)**	**2**

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Question	Answer	Marks
1(d)(ii)	**Explain how measures to reduce protection through policies such as 'free trade zones' encourage specialisation and the development of comparative advantage in Nigeria.** • Up to 2 marks for explanation of how free trade zones can encourage specialisation in Nigeria • Up to 2 marks for explanation of how free trade zones can encourage the development of comparative advantage in Nigeria	**4**
1(e)	**Discuss whether government intervention to encourage private sector firms, in a mixed economy such as Nigeria, is always likely to be successful.** • Role of government policy and support to private sector **(Up to 3 marks)** • Role of private sector **(Up to 3 marks)** **5 marks maximum** **Reserve 1 mark for a conclusion** **6 marks maximum**	**6**

Question	Answer	Marks
2(a)	Explain, with the aid of a production possibility curve (PPC) diagram, why scarcity makes choice inevitable for firms and how each choice has an opportunity cost. **Up to 2 marks for Knowledge and Understanding** For correct diagram: • Vertical axis correctly labelled, e.g. Good A, agricultural goods/consumer goods, and horizontal axis correctly labelled, e.g. Good B, manufactured goods/capital goods (**1 mark)** • PPC drawn as a curve or a straight line, showing trade-off between production of two goods **(1 mark)** **Up to 6 marks for Application** Use of the production possibility curve to **explain**: • scarcity **(up to 2 marks)** • choice **(up to 2 marks)** • opportunity cost **(up to 2 marks)**	**8**

Question	Answer	Marks
2(b)	**Discuss the view that the only goods a government should produce are public goods.** **Up to 8 marks for Analysis** • Analysis of the production of public goods by a government, with the use of appropriate examples **(Up to 4 marks)** • Analysis of the production of other goods by a government, such as merit goods, with the use of appropriate examples **(Up to 4 marks)** **Up to 4 marks for Evaluation** For exercising some judgement on whether the only goods that a government should produce are public goods **Reserve 1 mark for a conclusion**	**12**

Question	Answer	Marks
3(a)	Explain, with the aid of a demand and supply diagram, **two** factors that might cause an increase in the demand for foreign holidays. **Up to 2 marks for Knowledge and Understanding** For correct diagram: • Vertical axis correctly labelled: P/Price, horizontal axis correctly labelled: Q/Quantity and Demand and Supply curves correctly drawn and labelled **(1 mark)** • Shift of the demand curve correctly drawn and labelled **(1 mark)** **Up to 6 marks for Application** Application of two factors to an increase in the demand for foreign holidays • Explanation of first factor **(Up to 3 marks)** • Explanation of second factor **(Up to 3 marks)**	**8**

Question	Answer	Marks
3(b)	**Discuss whether an indirect tax on foreign holidays is likely to be effective in reducing the number of holidays taken.** **Up to 8 marks for Analysis** • Effectiveness of an indirect tax in reducing the number of holidays taken **(Up to 4 marks)** • Lack of effectiveness of an indirect tax in reducing the number of holidays taken **(Up to 4 marks)** **Up to 4 marks for Evaluation** **For exercising some judgement on whether an indirect tax on foreign holidays is likely to be effective in reducing the number of holidays taken** **Reserve 1 mark for a conclusion**	**12**

Question	Answer	Marks
4(a)	**Explain, with the aid of a diagram, one demand factor and one supply factor that can cause the depreciation of a foreign exchange rate.** **Up to 2 marks for Knowledge and Understanding** For correct diagram: • Vertical axis correctly labelled: P/Price, horizontal axis correctly labelled: Q/Quantity, and Demand and Supply curves correctly drawn and labelled **(1 mark)** • Shift of the demand and/or supply curve correctly drawn and labelled **(1 mark)** **Up to 6 marks for Application** Application of two factors to the depreciation of a foreign exchange rate • Explanation of one demand factor **(Up to 3 marks)** • Explanation of one supply factor **(Up to 3 marks)**	**8**

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Question	Answer	Marks
4(b)	**Discuss whether an appreciation of a country's foreign exchange rate is likely to cause both a rise in inflation and a decrease in employment in its economy.** **Up to 8 marks for Analysis** • Analysis of the effect of an appreciation of a country's foreign exchange rate on the level of inflation in an economy **(Up to 4 marks)** • Analysis of the effect of an appreciation of a country's foreign exchange rate on the level of employment in an economy **(Up to 4 marks)** **Up to 4 marks for Evaluation** For exercising some judgement on whether an appreciation of a country's foreign exchange rate is likely to cause both a rise in inflation and a decrease in employment in its economy **Reserve 1 mark for a conclusion**	**12**

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