Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

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)	**State what the upward trend shown in Fig. 1.1 means has happened to the value of the peso between 2016 and 2018.** The peso has depreciated or gone down or decreased **(1 mark)**	**1**
1(b)	**The central bank of Argentina sold US dollars from its foreign exchange reserves to a value of US$1.5 billion on one day in May 2018.** **With the help of a supply and demand diagram, explain what effect you would expect this intervention to have on the value of the Argentine peso.** • For a correctly labelled supply and demand diagram showing a shift to the right of the demand curve for the peso **(1 mark)** • And a rise in its value **(1 mark)** • For an accompanying explanation linking this rise in demand for the peso to the sale of foreign currency reserves **(1 mark)**	**3**
1(c)(i)	**Distinguish between a budget deficit and a current account deficit.** • For understanding that a budget deficit means that government expenditure exceeds government revenue. **(1 mark)** • For understanding that a current account deficit means that exports (or inflows) are less than imports (outflows) of current account items such as goods and services (or other current account items) **(1 mark)**	**2**
1(c)(ii)	**Explain <u>one</u> way in which persistent high inflation represents a risk to the peso.** • For an explanation that high inflation will make Argentinian goods and services uncompetitive in international markets **(1 mark)** • And that this will lead to an excess supply of the Argentine peso which will create downward pressure on its price **(1 mark)**	**2**
1(d)	**Use aggregate demand and aggregate supply analysis to explain how the recent interest rate rises might help Argentina to reduce its annual rate of inflation and achieve its target.** • For an explanation of how the interest rate rise might help to reduce the inflation caused by demand-pull factors **(Up to 4 marks)** • For an explanation of how the interest rate rise might help to reduce the inflation caused by cost-push factors **(Up to 4 marks)** Allow **2 marks** for evaluative comment that the interest rate rise might exacerbate inflation. **6 marks maximum**	**6**

Question	Answer	Marks
1(e)	**Discuss whether the potential advantages outweigh the disadvantages to the Argentine economy if the president is successful in reversing protectionism.** • For an analysis of the advantages of removing protectionism **(Up to 3 marks)** • For an analysis of the disadvantages of removing protectionism **(Up to 3 marks)** **Reserve 1 mark for a reasoned conclusion**	**6**

Question	Answer	Marks
2(a)	**Use a production possibility curve diagram(s) to distinguish between the growth of an economy and a reduction in the number of unused resources in an economy and explain <u>one</u> reason that might cause each to occur.** • For **knowledge and understanding** of a production possibility curve with appropriate and correctly labelled axes. **(2 marks)** • For **application** using a production possibility curve diagram that shows the growth of an economy illustrated through a shift outward of the curve with a valid example **(1 mark)** and explanation **(1 mark)** of what might cause this to happen **(Up to 3 marks)** • For **application** using a production possibility curve diagram that shows a reduction in the number of unused resources illustrated through a movement from within the curve to a point on or nearer to the curve together **(1 mark)** with a valid example **(1 mark)** and explanation **(1 mark)** of what might cause this to happen **(Up to 3 marks)**	**8**
2(b)	**Discuss whether the transition of an economy from one that is centrally planned to one in which resources are allocated through the free market is likely to be of overall benefit to the citizens of that economy.** **Up to 8 marks for Analysis** • For **analysis** of the way in which resources are allocated in a centrally planned economy with due reference to the problems of resource allocation that arise in such an economy. **(Up to 4 marks)** • For **analysis** of the way in which resources are allocated in a free market with due reference to the problems of resource allocation that arise in such an economy. **(Up to 4 marks)** **Up to 4 marks for Evaluation** • For **evaluative comment** and a reasoned conclusion on the 'overall benefit' **(4 marks)**	**12**

Question	Answer	Marks
3(a)	**Explain whether you would expect the price elasticity of supply of water to be relatively elastic or relatively inelastic.** • For **knowledge and understanding** of the concept of elasticity of supply • For an understanding of what price elasticity of supply measures **(1 mark)** and for an accurate formula **(1 mark)** **(Up to 2 marks)** • For **application** to explain why water might be price elastic in supply with due reference to the factors that influence the elasticity of supply **(3 marks)** • For **application** to explain why water might be price inelastic in supply with due reference to the factors that influence the elasticity of supply **(3 marks)**	**8**
3(b)	**Consider the short-term and long-term policies that could be adopted to deal with a water shortage in an economy and discuss whether these are likely to be successful.** **Up to 8 marks for Analysis** • For **analysis** that considers any policy that might reduce the demand for water or increase the supply of water in the short-run **(Up to 4 marks)** • For **analysis** that considers any policy that might reduce the demand for water or increase the supply of water in the long-run **(Up to 4 marks)** **Up to 4 marks for Evaluation** • For **evaluative comment** and a reasoned conclusion on the likely success of the policies considered **(4 marks)**	**12**

Question	Answer	Marks
4(a)	**Explain, using examples, the difference between private goods and public goods and why public goods will not be supplied by private enterprise.** **Up to 2 marks for Knowledge and Understanding** • For **knowledge and understanding** of the distinction between the two types of good based upon excludability **(1 mark)** and rivalry in consumption **(1 mark)** **Up to 6 marks for Application** • For **application** explaining why public goods will not be supplied in a free market economy because of non-excludability and the lack of rivalry in consumption **(4 marks)** with due reference to the free rider issue **(2 marks)**	**8**

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Question	Answer	Marks
4(b)	**Consider the problem of the provision of merit goods in a market economy and assess whether direct provision of such goods is the most effective way to deal with this problem.** **Up to 8 marks for Analysis** • For **analysis** explaining the underproduction and under-consumption of merit goods based upon information failure in a market economy **(Up to 4 marks)** • For **analysis** that compares direct provision of merit goods with at least one alternative means of provision, e.g. subsidisation of these goods or public education campaigns **(Up to 4 marks)** **Up to 4 marks for Evaluation** • For **evaluative comment** and a reasoned conclusion on the most effective policy **(4 marks)**	**12**

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