Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

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)	**Explain why a plastic bottle can be classified as both a private good and a demerit good.** • For an explanation of why a plastic bottle can be classified as a private good with reference to the characteristics of **excludability (1 mark)** and **rivalry (1 mark)**. **(Up to 2 marks)** • For an explanation of why a plastic bottle can be classified as a demerit good with reference to the characteristics of overconsumption **(1 mark)** as a result of information failure **(1 mark).** **(Up to 2 marks)**	**4**
1(b)(i)	**Distinguish between an ad valorem tax and a specific tax.** *Ad valorem* tax –where a proportion or a % of price charged is taxation, e.g. GST, VAT **(1 mark)** Specific tax- where there is a fixed amount of tax per unit, e.g. fuel, alcohol **(1 mark)**	**2**
1(b)(ii)	**Explain whether the 'bottle tax' referred to in the extract is an ad valorem tax or a specific tax.** The tax is a specific tax **(1 mark),** but there is some element of ad valorem if the tax depends upon the size of the bottle **(1 mark)**	**2**
1(c)(i)	**With the help of a diagram, analyse the impact of the 'bottle tax' on the price and sales of plastic bottles.** The diagram should show a shift to the left of the supply curve **(1 mark)** with an explanation that the price will increase and the quantity demanded should fall **(1 mark)**	**2**
1(c)(ii)	**With the help of a diagram(s), explain what would determine the incidence of the 'bottle tax' on the consumers of plastic bottles.** • For an accurate diagram that illustrates the influence of the price elasticity of demand upon the incidence of the tax. **(Up to 2 marks)** • For an accurate diagram that illustrates the influence of the price elasticity of supply upon the incidence of the tax. **(Up to 2 marks)**	**4**
1(d)	**Discuss whether taxing plastic bottles is the most effective way of reducing plastic waste in developing economies.** Candidates should discuss the advantages and disadvantages of taxing plastic bottles **(Up to 2 marks)** These should be compared with the case for adopting at least **one** other method of reducing plastic waste. **(up to 2 marks)** Allow **1 mark** for contextual reference to developing economies. Allow **1 mark** for a reasoned conclusion.	**6**

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Question	Answer	Marks
2(a)	**The price elasticity of supply for a new smartphone is estimated at 0.8 in the short run and 1.5 in the long run.** **Explain price elasticity of supply and suggest why the above estimates differ.** **Up to 2 marks for Knowledge and Understanding** of price elasticity of supply: What it measures (**1 mark)** For accurate formula (**1 mark)** **Up to 6 marks for Application** Explanation of the factors determining the difference between the two estimates.	**8**
2(b)	**Discuss whether, for a manufacturer of smartphones, knowledge of their product's price elasticity of demand or its cross elasticity of demand with respect to other products is more useful.** **Up to 8 marks for Analysis** • For an explanation of the possible usefulness of PED **(Up to 4 marks)** • For an explanation of the possible usefulness of XED **(Up to 4 marks)** **Up to 4 marks for Evaluation** An evaluation of which is likely to be most useful. **Reserve 1 mark for a conclusion**	**12**

Question	Answer	Marks
3(a)	**The annual rate of inflation in an economy increased sharply and unexpectedly.** **Explain the likely consequences of such an increase for consumers and businesses.** **Up to 2 marks for Knowledge and Understanding** of inflation: An increase in the **general** price level. **(Up to 2 marks)** **Up to 6 marks for Application** The point about the stem data is that there has been an **unexpected** increase in the rate of inflation. The focus of the answer should reflect this. • an explanation of at least two possible consequences of a sharp increase. **(up to 4 marks)** • reference to the unexpected element of the rise. **(up to 2 marks)**	**8**
3(b)	**Discuss whether a substantial rise in interest rates is the best way of correcting this increased rate of inflation.** **Up to 8 marks for Analysis** • For an explanation of how a substantial rise in interest rates might reduce the rate of inflation in an economy with due reference to the advantages and disadvantages of this approach. **(Up to 4 marks)** • For an explanation of at least one other valid policy approach to solving the problem of inflation such as deflationary fiscal policy and/or supply-side policy. **(Up to 4 marks)** **Up to 4 marks for Evaluation** With **1 mark reserved** for concluding whether or not a substantial rise in interest rates is most likely to succeed.	**12**

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Question	Answer	Marks
4(a)	**Explain why the theory of comparative advantage may <u>not</u> give a true account of the benefits of free trade.** **Up to 2 marks for Knowledge and Understanding** of comparative advantage: • Lower opportunity cost of producing a product because of differing resources **(1 mark)** leads to specialisation and trade **(1 mark)** **Up to 6 marks for Application** For consideration of the reasons why the law of comparative advantage may not lead to benefits through trade. **(Up to 2 marks for each reason explained)**	**8**
4(b)	**Discuss whether the US and China could both benefit from the imposition of tariffs on each other's goods.** **Up to 8 marks for Analysis** • For an explanation of how each country might benefit from the imposition of tariffs **(Up to 4 marks)** • For an explanation of how each country might lose from the imposition of tariffs **(Up to 4 marks)** **Up to 4 marks for Evaluation** With **1 mark reserved** for a clear final conclusion of whether both countries might benefit.	**12**

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