Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 Data Response and Essay **May/June 2021**

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.

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

Cambridge International is publishing the mark schemes for the May/June 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

© UCLES 2021

PUBLISHED

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.

© UCLES 2021

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.

© UCLES 2021

PUBLISHED

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).

© UCLES 2021

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.

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.

© UCLES 2021

Question	Answer	Marks	Guidance
1(a)(i)	**Describe the overall trend in Vietnam's current account balance between Q1 2017 and Q2 2018.** A deficit at the beginning of the period, followed by surpluses OR Generally increasing/improving balance over the period (one exception) (1 mark)	**1**	
1(a)(ii)	**Calculate the value of Vietnam's exports of fruit and vegetables to China in the first four months of 2018.** US$1 billion (US$1.001 billion) (1 mark)	**1**	(Line one gives the total as US$1.3bn and the fourth paragraph says that China accounts for 77% of this.) Candidates do need to refer to billion, but not necessarily to US$
1(b)	**Explain one possible demand factor and one possible supply factor that could have caused the increase in Vietnam's export sales of fruit and vegetables.** For an explanation of one possible demand reason (Up to 2 marks) (1 mark for identification, 1 mark for further development) For an explanation of a one possible supply reason (Up to 2 marks) (1 mark for identification, 1 mark for further development)	**4**	Demand factors could include: • increase in income • more effective advertising • population growth • tastes have changed in favour of the products, e.g. healthy living Supply factors could include: • use of more land • more favourable weather conditions • reduction in costs of production • improved technology

Question	Answer	Marks	Guidance
1(c)	**Explain how complying with administrative burdens on trade will affect Vietnam's supply of fruit and vegetables for export.** Higher costs of production will shift supply to the left and decrease the amount available to export. (Up to 2 marks)	**2**	Possible effects could include: • fruit and vegetable exporters could face additional costs in satisfying administrative burdens on trade • these could include strict hygiene and food safety regulations • this could bring about an increase in the price of the products • regulations could, however, lead to a higher quality of products being supplied
1(d)	**Discuss whether the risks of Vietnam relying very heavily on the Chinese market for the export of its fruit and vegetables are greater than the potential benefits.** For an explanation of the potential risks. (Up to 3 marks) For an explanation of the potential benefits. (Up to 3 marks) **Reserve 1 mark for a conclusion**	**6**	Potential risks of the Chinese market: • high proportion of trade in fruit and vegetables with China may mean that Vietnam is neglecting other potential trading contacts • very large gap from China (77%) to second country (US with 2.84%) and third country (Japan with 2.70%) • external shocks, or changes in the Chinese economy, such as a recession, would have a large impact on Vietnam's fruit and vegetables industry Potential benefits of the Chinese market: • with 77% of the trade in fruit and vegetables with China, close trading contacts would have been established • security of trade in fruit and vegetables resulting from these trading contacts • with established customers, discounts could be negotiated to secure future trade

© UCLES 2021

Question	Answer	Marks	Guidance
1(e)	**Using aggregate demand and aggregate supply analysis, discuss the possible impact on Vietnam's economy of a sustained increase in its net exports.** For an explanation of the potential advantages of a sustained increase in net exports using AD/AS analysis. (Up to 3 marks) For an explanation of the potential disadvantages of a sustained increase in net exports using AD/AS analysis. (Up to 3 marks) **Reserve 1 mark for a conclusion**	**6**	Potential advantages: • increase in exports would contribute positively to Vietnam's current account balance • increase in aggregate demand • increase in incomes and employment Potential disadvantages: • increase in exports could mean less is available for the domestic market • could impact on the rate of domestic inflation

© UCLES 2021

Question	Answer	Marks	Guidance
2(a)	**Explain whether private goods, free goods and public goods will all be sold in a free market economy.** **For Knowledge and Understanding** For knowledge and understanding of private goods, free goods and public goods. Up to 2 marks) For knowledge and understanding of just two types of good. (Up to 1 mark) **2 marks maximum** **For Application** Explanation of the market mechanism in relation to the three types of good Up to 2 marks for an explanation of each type of good) **6 marks maximum**	**8**	Free goods are not sold in a free market economy: • are not scarce and so do not have a market price attached to them • the supply equals the demand at zero price • have no property rights associated with them • require no factors of production for their enjoyment Private goods are sold in a free market economy: • economic goods that are consumed by an individual for their own benefit • there is rivalry in consumption, i.e. when a product is consumed by one person, it cannot be consumed by another • there is excludability in consumption, i.e. when a product is consumed by one person, all others are excluded from it Public goods are not sold in a free market economy: • are non-rival • are non-excludable • are non-rejectable

© UCLES 2021

Question	Answer	Marks	Guidance
2(a)			Examples of free goods: air, sunshine Examples of private goods: most products in an economy, such as food and clothing; can include examples of merit goods/demerit goods Examples of public goods: street lighting, defence and police
2(b)	**Discuss whether the direct provision of goods and services by the government prevents the price mechanism from working effectively.** **For Analysis** Analysis of the prevention of the price mechanism from working effectively. (Up to 4 marks) Analysis of the potential fact that it does not prevent the price mechanism from working effectively. (Up to 4 marks) **8 marks maximum** **For Evaluation** For exercising some judgement on whether the direct provision of goods and services by the government prevents the price mechanism from working effectively. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	The effect of direct provision of goods and services by the government: • does it prevent the price mechanism from rationing? • does it prevent the price mechanism from signalling? • does it prevent the price mechanism from transmitting preferences? The direct provision of goods and services by the government will be financed through the tax system, e.g. education and health care, and so will not be allocated through a price mechanism. However, education and health care can also be provided through a price mechanism and in this situation the mechanism can function as a rationing and signalling device and as a way of transmitting preferences

© UCLES 2021

Question	Answer	Marks	Guidance
3(a)	**With the aid of diagrams, explain how consumer surplus is affected by a decrease in the price of a luxury product with many substitutes, and of an essential product with few substitutes.** **For Knowledge and Understanding** For correct diagram: Axes correctly labelled: P/Q (1 mark) Existence of consumer surplus (1 mark) **2 marks maximum** **For Application** How consumer surplus is affected by a decrease in the price of a luxury product with many substitutes: elastic PED. (Up to 3 marks) How consumer surplus is affected by a decrease in the price of an essential product with few substitutes: inelastic PED' (Up to 3 marks) **6 marks maximum**	**8**	A decrease in the price of a product will increase the consumer surplus as more consumers are willing to pay the lower price. The extent of this will depend on the price elasticity of demand for a product. In the case of a luxury product with many substitutes, PED will be elastic. In the case of an essential product with few substitutes, PED will be inelastic.

© UCLES 2021

Question	Answer	Marks	Guidance
3(b)	**Discuss the extent to which knowledge of the income elasticity of demand for its product is likely to be more useful to a business than knowledge of the cross elasticity of demand for its product** **For Analysis** Analysis of the usefulness of income elasticity of demand to a business, with the use of appropriate scenarios. (Up to 4 marks) Analysis of the usefulness of cross elasticity of demand to a business, with the use of appropriate scenarios. (Up to 4 marks) **8 marks maximum** **For Evaluation** For exercising some judgement on whether knowledge of the income elasticity of demand for its product is likely to be more useful to a business than knowledge of the cross elasticity of demand for its product with regard to changes in the price of the products of other businesses. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	Income elasticity of demand can be useful to a business in relation to: • normal goods (positive YED) • inferior goods (negative YED) • economic development of a country • boom or recession: effect on business planning Cross elasticity of demand can be useful to a business in relation to: • substitutes/alternative demand (positive XED) • complements/joint demand (negative XED)

Question	Answer	Marks	Guidance
4(a)	**With the aid of a diagram(s), explain one demand factor and one supply factor that would cause the value of a currency in a floating exchange rate system to depreciate.** **For Knowledge and Understanding** For correct diagram: Axes correctly labelled: P/Q of currency. (1 mark) (The vertical axis needs to make it clear that it is an exchange rate) Market equilibrium shown. (1 mark) **2 marks maximum** **For Application** Explanation of one reason for a fall in demand (Up to 3 marks) (1 mark for identification of a relevant factor; up to 2 marks for a detailed explanation) Explanation of one reason for an increase in supply (Up to 3 marks) (1 mark for identification of a relevant factor; up to 2 marks for a detailed explanation) **6 marks maximum**	**8**	A fall in demand for a currency could be caused by a: • the goods and services of a country are demanded less • a country's interest rate is decreased An increase in the supply of a currency could be caused by: • an increase in interest rates in other countries • imported products are demanded more Note: the question specifically refers to the depreciation of an exchange rate

Question	Answer	Marks	Guidance
4(b)	**Discuss how likely it is that monetary policy would be successful in reducing inflation in an economy with a floating exchange rate.** **For analysis** Analysis of the likely success of monetary policy in reducing inflation in an economy with a floating exchange rate (Up to 4 marks) Analysis of the likely difficulties of monetary policy in reducing inflation in an economy with a floating exchange rate. (Up to 4 marks) **8 marks maximum** **For evaluation** For exercising some judgement on how likely it is that monetary policy would be successful in reducing inflation in an economy with a floating exchange rate. (Up to 4 marks) **Reserve 1 mark for a conclusion** **4 marks maximum**	**12**	Monetary policy can be used to correct inflation in an economy by: • an increase in interest rates • a reduction in the money supply Cost-push inflation: an appreciation of a currency would lower import prices of finished products and raw materials/component parts Demand-pull inflation: an increase in interest rates and/or a decrease in the money supply would reduce aggregate demand and appreciate the currency Evaluation: appropriate reference to elasticities, the J-curve effect and the Marshall-Lerner condition

© UCLES 2021