Cambridge Assessment International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/22**

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.

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**[Turn over**

## 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:<br><br>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:<br><br>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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## 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).

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**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.

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(a) | **Compare the change in the price level in Myanmar with that in Cambodia between 2016 and 2018.**<br><br>Both price levels rose/both countries had inflation **(1 mark)**<br><br>The price level rose by more in Myanmar / less in Cambodia / the rate of increase was increasing in Myanmar and declining in Cambodia / prices were increasing at a faster rate in Myanmar than in Cambodia/the change in the price level was more volatile in Myanmar **(1 mark)** | **2** | Do not credit answers that merely trawl through the data with no meaningful comparison<br><br>If the candidate suggests that prices fell in Cambodia, 0 marks |
| 1(b) | **Compare the current account balance of Myanmar with that of Cambodia in 2018.**<br><br>Both are in deficit **(1 mark)**<br><br>The deficit is a greater / more significant **% of national income** in Cambodia than in Myanmar **(1 mark)** | **2** | If the candidate states that the deficit is higher in Cambodia then this must not be credited.<br><br>Do not allow a reference to the current account being negative/better/worse.<br><br>For the second mark, the candidate must refer to % of national income as specified in the data i.e. Table 1.2 |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 1(c) | **Explain any two policies that could improve the competitiveness of rice from Myanmar and Cambodia in the EU market.**<br><br>For the identification of a valid policy **(1 mark)** and for explanation of how the policy could improve the competitiveness of rice **(1 mark)**<br><br>e.g. government subsidies to rice producers **(1 mark)** should lead to lower prices for rice and therefore make rice more price competitive **(1 mark)**<br><br>Government incentives for rice producers to carry out R and D **(1 mark**) may improve the quality of rice and its competitiveness **(1 mark)**<br><br>**Two policies required (2 × 2 marks)** | **4** | A number of policies are acceptable. These include government subsidisation mentioned in the text:<br>• export subsidies<br>• devaluation of the currency to reduce export prices etc.<br><br>Do not reward references to depreciation unless it is made clear that this is a 'managed' depreciation.<br><br>Policies can also be designed to improve quality, productivity, etc.<br><br>The policies must relate to government action and not action by individual firms (note – the gov action could be from either Myanmar/Cambodia OR from the EU.) |

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|---|---|---|---|
| 1(d) | **Discuss two factors that will determine the extent of the impact the EU tariffs will have on the economies of Myanmar and Cambodia.**<br><br>For each relevant factor identified **(1 mark)** explained **(1 mark) a**nd developed to show the impact on the economies of Myanmar and Cambodia **(1 mark)**<br><br>e.g. The ped of rice (from Myanmar and Cambodia in the EU) (**1 mark**). If the demand is price inelastic this means that the rise in price will lead to a less than proportionate fall in QD (**1 mark**). Therefore, the exports of Myanmar and Cambodia may not significantly reduce **(1 mark)**<br><br>**Two factors required (2 × 3 marks)** | **6** | General factors are required that apply to both countries. These include the price elasticity of demand for rice from these countries in the EU, the cross elasticity of demand between rice from Myanmar and Cambodia and rice from the EU, the extent to which they can find other markets, how the governments of these countries respond e.g. by providing subsidies/devaluing their currencies etc.<br><br>The impact on the economy may be on balance of payments, employment, growth etc and needs to be clear.<br><br>Reference to the fact that the tariffs will be substantial as quoted in the text, should be credited. |
| 1(e) | **Discuss the view that the EU should give tariff-free access to the EU market for all producers of rice.**<br><br>For analysis of the reason(s) why free trade is justified **(up to 2 marks)**<br><br>For analysis of the reason(s) why the market should be protected **(up to 2 marks)**<br><br>For evaluation that considers both sides of the argument and which is clearly related to the EU market for rice **(up to 2 marks)** | **6** | This is effectively a question on free trade or protection. Good answers will need to recognise the context of the case study.<br><br>For example, if they suggest that the European rice farmers are an example of an inefficient ‘sunset industry’ they need to question whether these should be protected.<br><br>If the market discussed is clearly a market other than rice then do not reward. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(a) | **In 2018 the UK government, concerned about the rise in obesity, particularly amongst young people, imposed a tax on producers of sugar-sweetened drinks.**<br><br>**State what is meant by a demerit good, and with the help of a diagram(s) explain how a tax on producers can improve the allocation of resources in the market for sugar-sweetened drinks.**<br><br>For *knowledge and understanding* of a demerit good which explains that the term refers to a good that has the cost of consumption underestimated/worse for the consumer than they realise/because of information failure (**1 mark**) and is overconsumed **(1 mark)**<br><br>**Application** that uses a correctly labelled diagram to **explain** the impact of an indirect tax on price and quantity**.** Diagram showing a left shift in the S curve **(1 mark)** the fall in quantity consumed **(1 mark)** and the increase in price **(1 mark)** **(up to 3 marks)**<br><br>An **explanation** that the tax is increasing the cost of production for producers (**1 mark**), which increases the price and reduces the consumption (**1 mark**) which removes the market failure/problem of information failure/improves the allocation of resources (**1 mark**) **(up to 3 marks)** | **8** | The answer provided must show knowledge and understanding that a demerit good is one that is worse for the consumer than they realise because of information failure. The diagram(s) should show that demerit goods are under-priced and over consumed and also how a tax can improve allocation. |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 2(b) | **Compare the likely effectiveness of a policy of imposing minimum prices on demerit goods with one other policy to improve public health and consider which policy is more likely to be successful.**<br><br>For **analysis** that explains the likely effectiveness of a minimum price on a demerit good. **Maximum of 3 marks if only benefits or drawbacks are considered (up to 4 marks)**<br><br>For **analysis** that explains the likely effectiveness of **one** other policy**. Maximum of 3 marks if only benefits or drawbacks are considered (up to 4 marks)**<br><br>And for **evaluation** that clearly compares the effectiveness of both policies **(3 marks)** that leads to a reasoned conclusion as to which policy is more likely to be successful **(1 mark)** | **12** | The effectiveness of a minimum price is dependent upon the ability to control prices and the likelihood that unauthorised / illegal / underground / informal / hidden markets might arise.<br><br>Other policies include indirect taxes, education campaigns, subsidisation of alternatives.<br><br>No credit for simply referring to part (a) |
| 3(a) | **Explain how the concept of cross-elasticity of demand can be used to distinguish between goods that are substitutes, those that are complements and those that have no relationship.**<br><br>For *knowledge and understanding* of the concept of cross elasticity of demand. What it measures **(1 mark)** and the formula **(1 mark)**<br><br>And **application** explaining that a positive value indicates a substitute **(1 mark)** and explains why **(1 mark)**<br><br>And explains that a negative value indicates a complement **(1 mark)** and why **(1 mark)**<br><br>And explains that a value of zero indicates unrelated goods **(1 mark)** and why **(1 mark)** | **8** | For knowledge and understanding, the candidate must display an awareness of the idea of 'responsiveness' as well as an accurate formula |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 3(b) | **An economy is experiencing a fall in average incomes during a severe recession.**<br><br>**Discuss the extent to which the concepts of income elasticity of demand and price elasticity of demand might be useful to an entrepreneur in this economy and consider which would be more useful.**<br><br>For **analysis** that explains the usefulness of income elasticity of demand to an entrepreneur when incomes are falling. **(Up to 4 marks)**<br><br>For **analysis** that explains the usefulness of price elasticity of demand to an entrepreneur when incomes are falling **(Up to 4 marks)**<br><br>And for **evaluation** that clearly compares the usefulness of each concept **(3 marks)** that leads to a reasoned conclusion as to which is the most useful **(1 mark)** | **12** | Income elasticity of demand would be useful to an entrepreneur because it would indicate those goods that are likely to experience a decrease in demand and those that should experience a rise in demand i.e. normal goods and inferior goods respectively<br><br>Price elasticity of demand will inform an entrepreneur of the possibility of changing prices to increase revenue.<br><br>The estimates might be used by an entrepreneur or firms for sales forecasting, investment decisions, production planning, location and new markets.<br><br>There are no KU marks awarded in part (b) for merely explaining/ defining terms or phrases within the question |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(a) | **Explain what is meant by deflation and use aggregate demand and aggregate supply diagrams to explain how it might arise in an economy.**<br><br>For *knowledge and understanding* of the meaning of deflation. Deflation is a sustained fall **(1 mark)** in the general price level **(1 mark)**<br><br>**One mark maximum** for stating it is the opposite of inflation/negative inflation ( **up to 2 marks max for KU)**<br><br>And **application** that uses an appropriate and accurate diagram to show how deflation might be caused by a fall in aggregate demand. For an explanation why AD may fall **(1 mark)** a diagram that shows the resulting change in general price level **(1 mark)** and explains how this causes deflation **(1 mark)** **(up to 3 marks)**<br><br>And **application** that uses an appropriate and accurate diagram to show how deflation might be caused by a rise in aggregate supply. For an explanation as to why AS may increase **(1 mark)** a diagram that shows the resulting change in general price level **(1 mark)** and explains how this causes deflation **(1 mark)** **(up to 3 marks)** | **8** | Do not reward 'micro' diagrams showing S/D, P/Q<br><br>Reasons why AD may fall include: fall in either C, I, G, X or rise in M.<br><br>Reasons why AS may rise include: increased investment, falling costs |

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| Question | Answer | Marks | Guidance |
|---|---|---|---|
| 4(b) | **Discuss whether you would advise a government to use monetary policy or fiscal policy to solve the problem of deflation in an economy.**<br><br>For **analysis** that explains how monetary policy can be used to stimulate aggregate demand with due reference to the strengths and weaknesses of this approach. **Maximum 3 marks if only strengths or weaknesses are explained (up to 4 marks)**<br><br>For **analysis** that explains how fiscal policy can be used to stimulate aggregate demand with due reference to the strengths and weaknesses of this approach. **Maximum 3 marks if only strengths or weaknesses are explained (up to 4 marks)**<br><br>And for **evaluation** that clearly compares the use of each policy to solve **the** problem of deflation **(3 marks)** that leads to a reasoned conclusion as to which policy may be the most appropriate **(1 mark)** | **12** | Monetary policy can include exchange rate policy and should be rewarded.<br><br>The evaluation here should compare the strengths and weaknesses of each approach and arrive at a conclusion based upon this assessment.<br><br>If a candidate gets MP and FP the wrong way around throughout their response then award a max of [1 + 1] marks for an understanding of both economic policy instruments. A response such as this should be recorded as [1 + 1 + 0] in the text box.<br><br>There are no KU marks awarded in part (b) for merely explaining / defining terms or phrases within the question |

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