Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

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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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: 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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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)(i)	**Use the information in Fig.1.1 to describe the changes in the number of journeys by bus in Great Britain from 1997/98 to 2017/18.** Various possibilities including: • Bus passenger journeys outside London have fallen over the period/from c 3.2 bn to c 2.7bn • Bus passenger journeys in London increased up to 2013/14 but have then fallen slightly/overall have increased/from c 1.3 bn to c2.3 bn • Overall bus passenger journeys have increased **(1 mark for any of these)**	**2**	The data clearly shows that overall during the period bus passenger journeys outside of London have fallen BUT within London, over the same period bus passenger journeys have increased. Within London, passenger journeys increased up to 2013/14 but declined thereafter.
1(a)(ii)	**Using the information in Fig.1.2, explain <u>one</u> of the changes you have identified.** Various possibilities including: • Public transport fares have increased above the rate of inflation • Bus passenger fares have increased faster than rail fares for most of the period • Bus fares have increased at their largest rate of growth since 2016 • Substituting bus journeys for rail journeys Identify the factor **(1 mark)** and explain with reference to the selected change in 1(a)(i) **(1 mark)** **OFR applied if candidate wrongly identifies changes for part a but then provides a valid explanation 1 +1**	**2**	Explanations are likely to focus on price elasticity of demand/consumer preferences and/or cross elasticity of demand/degree of substitutability between bus journeys and other forms of transport.

Question	Answer	Marks	Guidance
1(b)	**Explain how opportunity cost can be applied to the Great British government's decision to subsidise public transport.** A simple understanding of what opportunity cost is **(1 mark)** Which is applied to a valid example in context **(1 mark)**	**2**	Valid examples could include money committed to subsidising public transport may have been used for new roads, education, health services etc.
1(c)	**Explain whether public transport in Luxembourg has become a free good as a result of all prices being removed**. Explain what is meant by a free good **(1 mark)** Explain why this is not a free good **(1 mark)**	**2**	Explanation must refer to factors of production being needed to provide transport services i.e. there is a cost involved which is not the case with free goods Do not reward answers that clearly confuse free goods with public goods
1(d)	**Discuss whether a minimum price for fuel would be effective in reducing the congestion caused by the demand for roads exceeding supply.** For an analysis of the effect of introducing a minimum price in a market. **(up to 3 marks)** For analysis which explains why a minimum price may not be effective. **(up to 3 marks)** **MAXIMUM of 5 marks for analysis** **1 mark** for a justified conclusion as to whether a minimum price would be effective in reducing congestion	**6**	A minimum price for fuel above the equilibrium price would increase the price for car users and in theory, lead to reduced demand and reduced congestion. However, this would only be effective if the demand for fuel was price elastic. In addition, it will lead to excess supply and the possible formation of informal markets. It also depends on the ability of the government to maintain and enforce the minimum price.

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Question	Answer	Marks	Guidance
1(e)	**Discuss whether making public transport free to consumers is the best way to allocate resources in public transport markets.** Analysis of the benefits of free public transport **(up to 3 marks)** Analysis of the benefits of any other valid policy **(up to 3 marks)** **MAXIMUM of 5 marks for analysis** Award **up to 1 mark** for an evaluation of which policy is likely to be the most effective	**6**	Various alternative policies could be – Maximum prices for bus and rail fares – Transfer payments for bus and rail transport users – Subsidies

Question	Answer	Marks	Guidance
2(a)	**Market research has estimated that the cross-elasticity of demand for hotels in Barbados with respect to the price of flights to Barbados is –2.5, and that the cross-elasticity of demand for flights to Antigua with respect to the price of flights to Barbados is +0.5.** **Explain what is meant by cross-elasticity of demand and what these values mean in terms of the effect of changes in the price of flights to Barbados on** **(i) the demand for hotels in Barbados, and** **(ii) the demand for flights to Antigua.** For knowledge and understanding of the concept of cross elasticity of demand. What it measures **(1 mark)** and the formula **(1 mark)** (i) Identify that this would suggest hotels are a complement to flights due to the negative sign **(1 mark)** explain why the value is negative **(1 mark)** with reference to the size of the coefficient **(1 mark)** **(up to 3 marks)** (ii) Identify that this would suggest that flights to Antigua are a substitute for flights to Barbados due to the positive sign **(1 mark)** explain why the value is positive **(1 mark)** with reference to the size of the coefficient **(1 mark)** **(up to 3 marks)**	**8**	An increase in the price of flights to Barbados will lead to a larger percentage fall in demand for hotel accommodation (complements) and a smaller percentage increase in demand for flights to Antigua (substitutes). In the explanations, reference must be made to the significance of the size of the coefficient for the third mark

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Question	Answer	Marks	Guidance
2(b)	**Growing pressures on the budget and on the environment from increasing tourist numbers to Barbados led the government to announce a new indirect tax on incoming tourists in June 2018.** **Discuss the likely effectiveness of the new indirect tax in raising tax revenue and reducing tourist numbers.** For an analysis of how the new tax will raise tax revenue and reduce tourist numbers **(up to 4 marks)** For an analysis of other factors which may reduce the effectiveness of the new indirect tax **(up to 4 marks)** **Up to 4 marks** for an evaluation of the likely impact on the market of the new indirect tax, that may also consider other ways in which the government could raise additional revenue and reduce tourist numbers. **Reserve 1 mark** for a reasoned conclusion as to whether the new indirect tax would be truly **effective**	**12**	The effectiveness of the tax will depend on the PED for holidays in Barbados; incidence will vary with rate of tax. A diagram would help here although it is not essential. **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
3(a)	**Explain what is meant by aggregate supply and explain <u>one</u> reason why the aggregate supply curve of an economy would shift outwards in** **(i) the short run, and** **(ii) the long run.** For explanation of aggregate supply e.g. total output in an economy **(1 mark)** that distinguishes between short run and long run **(1 mark)** **(up to 2 marks)** Identify a reason **(1 mark)** plus **up to 2 marks** for an explanation of why this causes the SRAS to move outwards. **(up to 3 marks)** Identify a reason **(1 mark)** plus **up to 2 marks** for an explanation of why this causes the LRAS to move **(up to 3 marks)**	**8**	A shift outwards of the AS curve can be due to – an increase in the supply of labour – net investment – other factor inputs – devaluation of the exchange rate – government regulations – discovery of new resources – better education and training – advances in technology
3(b)	**Discuss whether an increase in aggregate demand would be of overall benefit for an economy.** For an analysis of the benefits of an increase in aggregate demand to the economy **(up to 4 marks)** For an analysis of the possible problems for an economy if aggregate demand increases **(up to 4 marks)** **Up to 4 marks** for an evaluation which clearly compares the benefits and the problems for an economy resulting from an increase in AD with **one mark reserved** for a reasoned conclusion	**12**	A good answer should consider firms, government and consumers/workers The benefits for an increase in AD may include economic growth, higher employment etc The problems may include inflation, current account deficit etc **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 how a free trade area differs from a customs union and explain <u>two</u> reasons why countries move towards tariff-free trade.** **Up to 2 marks** for an explanation of the difference between a free trade area and a customs union. Knowledge and understanding of what is meant by a free trade area **(1 mark)** and knowledge and understanding of how this differs from a customs union **(1 mark)** Identify a reason why countries may move to tariff free trade **(1 mark)** and **up to 2 marks** that clearly explains the benefits to countries × **2** **(3 marks maximum per reason)**	**8**	The description of the principle of comparative advantage is not required. The main difference is in terms of a common external tariff in a customs union. Reference to common policies as in the case of the EU is also OK. Various benefits of free trade include – specialisation – higher living standards – cheaper and better quality products and more choice – increased employment – to benefit from the principle of comparative advantage

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Question	Answer	Marks	Guidance
4(b)	**Discuss the view that the gains from tariff-free trade are greater for countries who are net importers than for countries who are net exporters.** **Up to 4 marks** for an analysis of the benefits/gains /advantages and disadvantages from tariff-free trade for countries who are net importers. **Maximum of 3 marks** for answers that only considers either advantages or disadvantages **Up to 4 marks** for an analysis of the benefits/gains /advantages and disadvantages from tariff free trade for countries who are net exporters. **Maximum of 3 marks** for answers that only considers either advantages or disadvantages **Up to 4 marks** for an evaluation that clearly compares the impact of tariff free trade on both countries who are net importers and those who are net exporters with **1 mark** reserved for a valid conclusion as to whether the statement may be justified	**12**	This is an unusual statement, given that economic theory tends to concentrate on the benefits of increased exports not imports. The benefits from tariff-free imports can include cheaper supplies, better quality and range of goods, puts pressure on domestic producers to be more efficient etc. But the disadvantages may include a threat to domestic businesses. The benefits for net exporters include higher growth, increased employment etc. but the disadvantages may include higher inflation. **There are no KU marks awarded in part b for merely explaining/defining terms or phrases within the question**

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