Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **May/June 2022**

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 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **14** printed pages.

© UCLES 2022

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 2022

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 2022

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 2022

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 2022

Question	Answer	Marks	Guidance
1(a)(i)	**Compare the rate of inflation in Russia in March 2015 with that in March 2020** The rate is higher in March 2015 / is lower in March 2020 / it has fallen over the time period / disinflation. **(1 mark)**	**1**	Figures are not required A reference to 'the rate of inflation' is not necessary as this is within the question. Note: do not allow 'improved', 'become better', 'it is lower' etc.
1(a)(ii)	**What has happened to the price level over this period?** It / The price level has risen / prices have risen (**1 mark)**	**1**	Specific references to 'price level' is not necessary as this is within the question.
1(a)(iii)	**Explain what could have caused real wages in Russia to decline between 2016 and 2018.** For an understanding that a decline in real wages means that prices must be rising more than the rise in wages (**1 mark)** For any explanation of a possible valid cause of this decline in real wages **(1 mark)**	**2**	Accept answers that merely state that prices must be rising faster than wages Valid causes may refer to e.g., high rates of inflation, a surplus of labour leading to a fall in wages etc but must make it clear why real wages have declined. **Note: No marks should be awarded if there is no understanding at all of what is meant by a decline in real wages.**
1(b)	**Explain whether school lunches provided free of charge by the Russian government would be classified as private goods or public goods.** For clear and accurate understanding of what is meant by the term excludable / non excludable (**1 mark)** For clear and accurate understanding of what is meant by the term rivalry / non rivalry in consumption (**1 mark)** For a correct application of both terms to free school meals (**1 mark)** **Leading** to a conclusion that free school meals must be private and not public goods (**1 mark)**	**4**	Candidates should demonstrate clear understanding of how public and private goods are distinguished by reference to the terms (non)excludability and (non) rivalry but for the first two marks **this does not need to be correctly applied to free school meals.** The final two marks may only be awarded if the terms are correctly applied to free school meals. The conclusion **must be** based on fully accurate application.

Question	Answer	Marks	Guidance
1(c)	**Assess, using aggregate demand and aggregate supply analysis, the likely impact of the changes shown in Table 1.1 upon the rate of inflation in Russia.** For analysis of how the move to a budget surplus will affect aggregate demand through its impact on **at least one** component of AD and the likely consequence of this on the rate of inflation. **(Up to 3 marks)** For analysis of the likelihood of the rate of inflation being controlled that considers the possible impact on AS resulting from the change from a budget deficit to a surplus. **(Up to 2 marks)** **1 mark for a valid conclusion**	**6**	The data in table 1.1 shows that the government budget has moved from a deficit to a surplus and the most likely cause will be a cut in government spending and/ or an increase in taxes. Analysis should consider how this is likely to impact at least one component of AD and therefore reduce AD and control the rate of inflation. However, this move may also affect AS and analysis should consider e.g., how reduced subsidies due to a fall in government spending, possible reduced investment due to a rise in taxes etc. may cause AS to shift to the left. Other government policies such as a cut in interest rates may also have a counter effect and may be accepted.

© UCLES 2022

Question	Answer	Marks	Guidance
1(d)	**Discuss whether the 'huge decrease in the price of oil' and the fall in the value of the rouble might bring more opportunities than threats to the Russian economy.** For analysis explaining why 'the huge oil price slump **and** the fall in the value of the rouble' will bring opportunities to the Russian economy (**Up to 3 marks)** Maximum of 2 marks if only the oil price slump **or** the fall in the value of the rouble is considered. For analysis explaining why 'the huge oil price slump **and** the fall in the value of the rouble' will bring threats to the Russian economy (**Up to 3 marks)** Maximum of 2 marks if only the oil price slump **or** the fall in the value of the rouble is considered. **Maximum of 5 marks in total for analysis** Leading to a well-reasoned conclusion whether or not there will be more opportunities than threats to the Russian economy (**1 mark)**	**6**	The fall in the price of oil is likely to reduce the value of Russia's exports and have a negative effect on the current account of the balance of payments, but this is only the case if the PeD is inelastic. A possible opportunity is that costs of production will fall for domestic firms that use oil and this may impact the Russian economy by making its exports more price competitive, The impact of the fall in the value of the rouble could be positive or negative depending upon the PED of Russia's imports and exports. There is a threat however that will result from the possible imported inflation and this may impact the Russian economy by lowering living standards.

Question	Answer	Marks	Guidance
2(a)	**With the help of a production possibility curve diagram(s) compare growth in the productive capacity of an economy and growth that results from a reduction in the quantity of unused resources in an economy. Explain one reason that might cause each to occur.** For **knowledge and understanding** of a PPC shown through an accurate diagram i.e., a concave or straight-line curve that meets both axes **(1mark)** with appropriate and correctly labelled axes **(1 mark).** For **application,** identification of a reason why there may be a growth in the productive capacity of an economy **(1 mark)** clearly explained **(1 mark)** using a fully accurate diagram to correctly illustrate a growth in the productive capacity of an economy shown by a shift outward in the PPC **(1 mark)** **(3 marks maximum)** For **application,** identification of a reason why there might be a reduction in the quantity of unused resources in an economy **(1 mark)** clearly explained **(1 mark)** using a fully accurate diagram to correctly illustrate a reduction in the quantity of unused resources in an economy shown by a movement from within the curve to a point nearer the curve or onto the curve. **(1 mark)** **(3 marks maximum)**	**8**	Knowledge and understanding marks may only be given for an accurate diagram and not a written explanation. Axes must be labelled correctly for the second KU mark i.e., not P and Q and not X and Y although good X and good Y are acceptable. A growth in the productive capacity of an economy is represented by a shift outward in the PPC. It can be caused by an improvement of technology or an increase in productive resources. A reduction in the quantity of unused resources in an economy is represented by a movement from within the PPC towards the curve. It can be caused for example by increased aggregate demand or by an improvement in the aggregate supply that makes the labour market more efficient. This may be illustrated on one diagram or more.

© UCLES 2022

Question	Answer	Marks	Guidance
2(b)	**Discuss the disadvantages of a planned economy and consider whether the transition to an economy in which many resources are allocated by market forces is likely to be of overall benefit.** For **analysis** of the disadvantages of a centrally planned economy **(Up to 4 marks)** For **analysis** of the impact of a change to an economy in which many resources are allocated by market forces with due reference to both the advantages and the disadvantages **(maximum mark of 3 if only advantages or disadvantages are analysed) (Up to 4 marks)** For **evaluation** that considers whether **transition** is likely to be of overall benefit **(Up to 3 marks)** to arrive at a reasoned conclusion **(1 mark)**	**12**	Disadvantages of a planned economy may include a lack of consumer sovereignty. A lack of profit motive which may lead to less efficiency. It may therefore lead to surpluses and / or shortages. It may lack incentives e.g., to invest which may lead to a lack of innovation and a reduction in consumer choice. The transition to an economy in which many resources are allocated by market forces may counter the disadvantages of a planned economy through market forces but it may also lead to the overproduction of demerit goods and the underproduction of merit goods together with a lack of public goods. It may lead to greater inequality. Evaluation may include a consideration of the time period. **There are no KU marks awarded in part b for merely explaining / defining terms or phrases within the question.**

© UCLES 2022

Question	Answer	Marks	Guidance
3(a)	**With the help of diagrams, use the concept of income elasticity of demand to explain the impact of a fall in incomes on the equilibrium price and equilibrium quantity of a normal good and an inferior good** For **knowledge and understanding** of the meaning of income elasticity of demand **(1 mark)** together with an accurate formula **(1 mark)** **Note:** the correct KU of the meaning of income elasticity may be rewarded with 1 mark if it is clear **within** the application even if it was initially incorrect within an opening statement / definition. For **application** that explains the meaning of a normal good **(1 mark)** and uses a diagram to illustrate that the demand curve will shift to the left **(1 mark)** leading to a fall in equilibrium price and quantity demanded which is clearly shown on the diagram **(1 mark).** For **application** that explains the meaning of an inferior good **(1 mark)** and uses a **separate** diagram to illustrate that the demand curve will shift to the right **(1 mark)** leading to a rise in equilibrium price and quantity demanded which is clearly shown on the diagram **(1 mark).**	**8**	For a normal good, at a time when incomes are falling, demand will be expected to fall resulting in a shift to the left of the demand curve. For an inferior good, at a time when incomes are falling, demand will be expected to rise resulting in a shift to the right of the demand curve. This will result in a fall and rise respectively in the equilibrium price and quantity demanded which should be clearly shown on two separate diagrams as required by the question **Do not reward application where one diagram is used to illustrate the effects on both types of goods**. The maximum mark that this type of response could score is [2+3+1] Diagrams showing the relationship between income and q demanded for normal and inferior goods must not be rewarded (unless solely used as part of the explanation of the meaning of what normal and inferior goods are) as they clearly do not show the changes in equilibrium price and quantity. The only diagrams that may be accepted here are normal supply and demand diagrams that clearly show the appropriate shifts in demand and the resulting changes in equilibrium price and quantity demanded.

© UCLES 2022

Question	Answer	Marks	Guidance
3(b)	**Discuss the difficulties that businesses might have when they try to control the factors that determine the price elasticity of demand for a product and consider whether attempts to control these factors are likely to be successful.** For **analysis** that considers the difficulties a business might have in attempting to control a factor that influences the price elasticity of demand. **(Up to 4 marks per factor analysed) (8 marks maximum)** For **evaluation** that considers whether the **difficulties** in controlling the factors can be overcome **(3 marks)** and arriving at a reasoned conclusion **(1 mark)**	**12**	Factors include whether the good is a necessity, whether it is habit forming, the availability, attractiveness of substitutes, the proportion of income taken in the purchase of the good, and the time period. Responses that simply explain the factors that determine PeD without any references to the **difficulties** that business might have in controlling these factors should not be rewarded. Candidates must consider **at least two factors to score full marks for analysis** or they can consider more than two factors and their **difficulties** in less depth. **There are no KU marks awarded in part b for merely explaining / defining terms or phrases within the question.**

© UCLES 2022

Question	Answer	Marks	Guidance
4(a)	**An economy moves from a deficit to a surplus on the current account of the balance of payments.** **Explain what is meant by a surplus on the current account of the balance of payments and consider the possible impact on the level of employment and prices when there is a change from a deficit to a surplus current account balance in an economy.** For **knowledge and understanding** of what the current account of the balance of payments measures **(1 mark)** and what is meant by a surplus **(1 mark)** For **application** that explains the impact of the emerging surplus upon employment. **(Up to 3 marks)** For **application** that explains the impact of the emerging surplus upon domestic prices. **(Up to 3 marks)**	**8**	The current account should be defined as trade in goods, services plus other income. For the second mark, a surplus is where payments received by a country exceed payments made by a country / where income from exports exceeds expenditure on imports. **The cause of the surplus will clearly be an increase in exports and / or a decrease in imports. However, there are several reasons why this might occur e.g., increased popularity of Russian exports, government policy to dampen domestic demand etc. Give 1 mark for identifying a valid cause / reason and then up to 2 marks for a developed explanation of the impact on employment and use the same criteria to award marks for the impact on domestic prices.**

Question	Answer	Marks	Guidance
4(b)	**Discuss whether expenditure-reducing or expenditure-switching policies are more likely to be of greater overall benefit if adopted to remove a persistent deficit on the current account of the balance of payments.** For **analysis** that considers the advantages and disadvantages of using expenditure-reducing policies to remove a persistent deficit on the current account of the balance of payments. **(a maximum of 3 marks if only advantages or disadvantages are analysed) (Up to 4 marks)** For **analysis** that considers the advantages and disadvantages of using expenditure-switching policies to remove a persistent deficit on the current account of the balance of payments **(a maximum of 3 marks if only advantages or disadvantages are analysed) (Up to 4 marks)** For **evaluation** that **compares** the advantages and disadvantages of the two approaches **(3 marks)** to arrive at a reasoned conclusion on which is to be of greater overall benefit in reducing a persistent deficit on the current account of the balance of payments **(1 mark)**	**12**	Candidates need to have a clear understanding of expenditure reducing and expenditure switching policies together with an understanding of the advantages and disadvantages of each. Examples of expenditure reducing policies which are designed to reduce domestic aggregate demand to reduce imports and increase goods for export may include: • raising taxes • reducing government spending etc. Examples of expenditure switching policies which are designed to encourage people to switch from buying imported goods to buying domestically produced goods may include: • protectionist policies • supply side policies • exchange rate policies etc. Analysis and evaluation should focus on how a persistent deficit on the current account may be removed using these policies but may also consider other impacts on the wider economy. **There are no KU marks awarded in part b for merely explaining / defining terms or phrases within the question.**

© UCLES 2022