Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

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.

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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)	**Describe the change in the level and source countries of the US's imports of avocados from 2013 to 2018.** Various possibilities including • Overall increase in imports • Big increase in imports from Peru • Mexico remains the most important source of imports • Imports from Chile and Dom. Republic more variable Award **1 mark** for any of these points, 2 max.	**2**	
1(b)(i)	**Calculate the percentage change in the wholesale price of Mexican avocados between April 2019 and the end of July 2019.** 100% increase approximately (1)	**1**	Percentage increase is based on an increase from approximately 300 pesos per 10 kg box to 600 pesos per 10 kg box using change from the start of April Accept answers in the range 95% to 105% However, if data used is from end of April then the % change is c33% i.e. 150/450 × 100%. **Take note of when the data is taken from in April when marking the answer.**

Question	Answer	Marks	Guidance
1(b)(ii)	**Explain one possible demand reason and one possible supply reason for this change in price.** For recognition of a valid demand reason (1) for a valid explanation as to why price has increased as a result (1) For recognition of a valid supply reason (1) for a valid explanation as to why price has increased as a result (1)	**4**	The question implies that an explanation **of changes** in demand and supply over the period April to July 2019 is required. So, no marks should be awarded for the usual general demand and supply factors. Demand side: **new** research into health benefits of avocados, buying for a special event e.g., Superbowl, panic buying. These changes will lead to a shift to the right of the demand curve. Supply side: bad weather in Mexico leads to less supply; increased demand elsewhere reduces supply available to USA leading to a shift to the left of the supply curve
1(c)	**Using the information provided, consider whether the supply of avocados is price elastic or price inelastic in the short run and in the long run.** Price inelastic in short run **(1 mark)** valid reason e.g., reference to drought and lack of water affecting supply **(1 mark)** Price elastic in long run **(1 mark)** valid reason e.g., New producers enter the market **(1 mark)**	**4**	The data refers to the supply of avocados as being **'unpredictable'** and therefore difficult **to** control when price changes. This is a short run consideration. Longer term improved methods of farming and irrigation can make supply more responsive to price changes.
1(d)	**Explain with the help of a PPC diagram, the opportunity cost to a New Zealand farmer of converting from dairy to avocado production.** PPC diagram with axes correctly labelled **(1 mark)** Use of PPC diagram to show choices between dairy and Avocados **(1 mark)** Application of opportunity cost to the shape of the PPC **(1 mark)**	**3**	Correct labels **and** curve touching both axes Diagram used to explain the idea of choice on at least 2 different points on the curve. Curve may be used to explain constant opportunity cost (straight line) **OR** increasing opportunity cost (concave curve)

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Question	Answer	Marks	Guidance
1(e)	**Discuss whether the price mechanism in the avocado market is working to allocate resources successfully.** For analysis that shows that the market is in fact operating successfully (**up to 3 marks)** For analysis that explains why the market may not operate successfully in the future **(up to 3 marks)** **5 marks maximum for analysis leading to** A valid conclusion as to whether the price mechanism in the avocado market is working to allocate resources successfully **(1 mark)**	**6**	The market is operating effectively-price is signalling consumer preferences and being responsive to changes in demand and supply. Market could collapse if the health benefits prove to be wrong. New producers such as Kenya could flood the market with additional supply leading to a collapse in prices. Environmental pressures due to pressure on water supplies and forests being destroyed to plant new avocado bushes.

Question	Answer	Marks	Guidance
2(a)	**A government has decided to spend money building a new barrier to prevent flooding across a city. Explain why this flood defence barrier is likely to meet the characteristics of a public good.** For **knowledge and understanding** of the difference between a private good and a public good by reference to the characteristics of excludable (**1 mark)** and rivalry **(1 mark)** For **application,** explain that a flood defence system is a public good **(1 mark)**, why it is non excludable **(1 mark),** why it is non rival **(1 mark)** For **application,** explain that it **cannot** be a private good **(1 mark)** by accurate reference **to both** excludability and rivalry **(1 mark)** and the free rider problem **(1 mark)**	**8**	Public goods have two key characteristics. These are that they are non-excludable and non-rival. Both need to be explained and the explanation applied to a new flood defence barrier. Better answers will then point out the free rider problem in the provision of public goods and why it would be difficult for funding to be from the private sector as a private good.
2(b)	**Education and healthcare are considered to be merit goods.** **Discuss why merit goods are provided by both the private sector and the public sector.** For **analysis** of the reasons why merit goods are provided by the public sector **(up to 4 marks)** For **analysis** of why merit goods are provided by the private sector **(up to 4 marks)** For **evaluation** that considers why merit goods are likely to be provided by both the private and public sector **(up to 3 marks)** to arrive at a reasoned conclusion **(1 mark)**	**12**	Merit goods have positive side effects when consumed. They are provided because of information failure which can lead to under consumption and under production. Consumers of things like education and healthcare do not perceive the true benefits usually because they do not have either any information or true information. Therefore, the government often provides merit goods. Merit goods in many countries are provided by the private sector as well as the public sector. This is often because the cost of provision to the public sector is too great or because the cost cannot be met in full. The case of healthcare is important in most low and middle-income countries. **There are no 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 the difference between cost-push and demand-pull inflation.** For **knowledge and understanding** of what is meant by inflation e.g., it is a situation where there is a sustained / persistent rise **(1 mark)** in the general / average price level / prices **(1 mark)** For **application** that explains what is meant by cost push inflation **(1 mark)** an appropriate example of a cause **(1 mark)** duly explained as to why it causes inflation **(1 mark)** For **application** that explains what is meant by demand pull inflation **(1 mark)** an appropriate example of a cause **(1 mark)** duly explained why this is different to cost push inflation **(1 mark)**	**8**	Cost-push inflation is the outcome of a rise in the costs of production. This results in a shift to the left of the AS curve, increasing the price level. Possible causes could be an increase in wages above the rate of inflation, an increase in raw material costs or an increase in the price of fuel imports due to the depreciation of the currency Demand-pull inflation occurs when there is an increase in aggregate demand not matched by an increase in aggregate supply. This will have a strong effect if the economy is at or close to the level of full employment. The cause could be an increase in government spending, a reduction in taxation leading to a consumer boom or an increase in demand for exports following a depreciation of the currency.

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Question	Answer	Marks	Guidance
3(b)	**Discuss whether a contractionary monetary policy is the best way to reduce the rate of inflation.** For **analysis** that considers the advantages **and** disadvantages of using monetary policy to reduce the rate of inflation **(up to 4 marks** with a **max of 3** if only advantages **or** disadvantages are analysed**)** For **analysis** that considers the advantages **and** disadvantages of at least one other policy to reduce the rate of inflation **(up to 4 marks** per policy with a **max of 3** if only advantages **or** disadvantages are analysed**)** For **evaluation** that considers which is the best way to reduce the rate of inflation **(3 marks)** to reach a justified conclusion as to which is the **best** way **(1 mark)**	**12**	Monetary policy involves measures that influence the price or quantity of money. These include interest rates and the money supply. In some countries exchange rate policy is included. Interest rate changes though have tended to be the main policy used to control the rate of inflation in most countries. In theory, an increase in the rate of interest should encourage more saving by consumers and less funding for investment by businesses. If effective, an increase in interest rates should reduce the rate of inflation. Fiscal policy can also be used. This involves increasing taxation or reducing government spending to reduce inflation. Both measures are at the cost of increasing the level of unemployment. Supply side policies are also possible, especially if there are structural weaknesses in an economy. **There are no 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 why some countries consistently have a deficit on the current account of the balance of payments.** For **knowledge and understanding** of what the current account of the balance of payments measures **(1 mark)** and what is meant by a deficit **(1 mark)** For **application** that explains the causes of a current account deficit **(up to 3 marks)** For **application** that explains why some countries may experience a persistent deficit **(up to 3 marks)**	**8**	The current account should be defined as trade in goods, services plus other income. For the second mark, a deficit is where payments received by a country are exceeded by payments made by a country / where income from exports is exceeded by expenditure on imports. There are many causes of a current account deficit. These include an appreciation of the exchange rate; a reduced supply of primary goods for exports; deterioration in the terms of trade; reduced level of aid; reduced transfer of earnings from migrant workers overseas; increased protection from trading partners. The answer should focus on why some countries consistently have a deficit.

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Question	Answer	Marks	Guidance
4(b)	**Discuss the extent to which expenditure-switching policies and expenditure-reducing policies might be able to reduce such a deficit.** For **analysis** that considers the advantages and disadvantages of using expenditure-switching policies to remove a 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-reducing policies to remove a 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 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.**

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