Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **October/November 2019**

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.

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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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Question	Answer	Marks	Guidance
1(a)(i)	**Using Table 1.1, compare the rate of inflation for China and India between 2012 and 2015.** • very mild increase for China (6%); much greater for India (25%) • rate of increase more variable for India **up to 2 marks** for a developed point or accept two separate undeveloped points for **1 mark** each	**2**	To score both marks available here the candidate must manipulate the data to provide a **comparison**. If the data is simply repeated then no marks are scored.
1(a)(ii)	**Explain two possible reasons why the CPI might not be an accurate measure of inflation in a BRICS economy such as India.** • identifies of a valid reason **(1 mark)** • explains of why this means that the CPI might not be an accurate measure of inflation **(1 mark)** **1+1 marks** per reason and explanation, for **2** reasons	**4**	Each reason must be explained to gain both marks. Possible reasons include: • a large informal economy, not all transactions are monetarised • some transactions may be illegal/not recorded • problems of collecting meaningful data on expenditure patterns • there may be a large subsistence economy in India

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Question	Answer	Marks	Guidance
1(b)	**Explain one possible aggregate demand reason and one possible aggregate supply reason for the differing rates of inflation in the BRICS economies since 2012.** • identifies one factor that will change aggregate demand and cause a rise in the rate of inflation in a BRICS economy **(1 mark)** • explains why this will cause the rate of inflation to be different to other BRICS economies (**1 mark)** • identifies one factor that will change aggregate supply and cause a rise in the rate of inflation in a BRICS economy **(1 mark)** • explains why this will cause the rate of inflation to be different to other BRICS economies **(1 mark)**	**4**	All the economies in Table 1.1 experience continuous inflation over the period but the rates differ, with China's rate being the lowest. Inflation can be caused for example by an increase in aggregate demand not matched by an increase in aggregate supply or a fall in aggregate supply greater than the fall in aggregate demand. Aggregate Supply reasons include the effects of a currency depreciation leading to rising import prices, a fall in supply of essential raw materials and above inflation wage increases. Aggregate Demand reasons include any causes of an increase in AD such as falling interest rates that stimulate consumption and investment expenditure, increases in government spending or a rise in net exports. For full marks the answer must be framed in the context of differing rates of inflation in the economies shown.
1(c)(i)	**Using Fig. 1.2, describe how China's terms of trade changed from the high point in 2015 to the end of 2016.** • for stating that the terms of trade have deteriorated / worsened / fallen **(1 mark)** • for valid use of the data in Fig. 1.2 to describe the change **(1 mark)**	**2**	China's terms of trade have deteriorated as shown by a fall in the terms of trade index. Candidates may calculate the % fall in the terms of trade (21%) or they might state that it has fallen by approx. 24.5 index points. Simple reference to the data without interpretation fails to score the mark for description.

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Question	Answer	Marks	Guidance
1(c)(ii)	**Explain one possible reason for this change.** • a fall / deterioration in the terms of trade means a fall in export prices relative to import prices **(1 mark)** • explains **one** possible reason for the fall **(1 mark)**	**2**	Possible reasons include: • depreciation of currency • fall in demand for exports • increased price of imported raw materials
1(d)	**With the help of the information, discuss what is likely to be the most important factor that will determine how successfully India can compete with China when trading in world markets.** • analysis that makes valid use of the data to explain the importance of the factor(s) **(up to 4 marks)** • comment and conclusion on why the factor chosen is the 'most important' **(up to 2 marks)** **Maximum 2 marks** if a valid factor is chosen that makes no use of the information provided	**6**	The answer needs to consider one or more factors that are likely to determine how successfully India can compete with China. These might include the relative rates of inflation, changes in the terms of trade of each economy or quality of product. A full answer needs to go on to make some evaluative judgement on why this should be considered the most important factor and arrive at a conclusion.

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Question	Answer	Marks	Guidance
2(a)	**It has been reported that the world demand for chocolate is increasing at a time when the supply of cocoa beans, the raw ingredient required to produce chocolate, is not as large as expected.** **Explain, with the help of a diagram, the likely effects of these changes on the world market for chocolate products.** • accurate **diagram** showing demand and supply curves for chocolate **(1 mark)** • with equilibrium price and quantity **(1 mark)** **(KU: up to 2 marks)** • a separate diagram (or a development of the simple supply and demand diagram) showing that there will be a shift to the left of the supply curve for chocolate **(1 mark)**; as a result of the fall in the supply of cocoa beans and a rise in **price (1 mark)** • a separate diagram (or a development of the simple supply and demand diagram) showing that there will be a shift to the right of the demand curve for chocolate **(1 mark)**; as a result of the increased demand for chocolate and a rise in price **(1 mark)** • elaboration that considers the overall impact on the market price and quantity of the two changes together **(up to 2 marks)** **(APP: up to 6 marks)**	**8**	A simple market demand and supply diagram is required showing a shift to the right of the demand for chocolate. This will show an increase in price and an increase in the quantity traded. For elaboration for example, the rise in price of the two changes will be determined by the extent of the shifts in demand and supply and factors such as the relative elasticities of supply and demand. Since the increase in demand and the decrease in supply have an opposite impact upon the equilibrium quantity, this is clearly indeterminate.

Question	Answer	Marks	Guidance
2(b)	**Very high consumption of chocolate can lead to health problems such as obesity and diabetes, especially amongst young children in developed economies.** **Discuss what is likely to be the most effective policy to reduce these problems.** • explains **one** policy to reduce these problems with due reference to the strengths and weaknesses of this policy **(up to 4 marks)** • explains (at least) **one** further policy to reduce these problems with due reference to the strengths and weaknesses of the(se) policy(ies) **(up to 4 marks)** **(AN: up to 8 marks)** • evaluation that compares the policies to arrive at a conclusion on which is 'most effective' **(up to 3 marks)**; and a conclusion of which is 'most effective' **(1 mark)** **(EV: up to 4 marks)**	**12**	One policy would be to increase the sales tax on chocolate and reduce the tax on healthier substitutes such as sugar free sweets. Another method would be to run an information campaign, say on social media, to warn of the consequences of excessive sugar consumption. The evaluation should make some judgement the relative effectiveness of such policies, given the addictive nature of chocolate.

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Question	Answer	Marks	Guidance
3(a)	**In March 2017, the Indian government announced a new five year programme of investment in the country's nationalised railway system.** **Explain, with the help of an aggregate demand and aggregate supply diagram, how this investment is likely to affect India's output, prices and employment.** • a diagram with correctly labelled axes showing aggregate demand and aggregate supply **(1 mark)** • with equilibrium price level and national output **(1 mark)** **(KU: up to 2 marks)** • shows the effect of an increase in investment upon aggregate supply and the impact on output, prices and employment **(up to 2 marks)** • shows the effect of an increase in investment upon aggregate demand and the impact on output, prices and employment **(up to 2 marks)** • elaboration that shows the impact on output, prices and employment of the combined effects of the changes in aggregate demand and aggregate supply **(up to 2 marks)** **(APP: up to 6 marks)**	**8**	The AD/AS diagram should show a shift to the right of AD, assuming no change in AS. It should therefore be recognised that this is due to the increase in the 'I' component of AD. Investment in railways is likely to shift both AS as well and hence affect output, prices and employment. In turn, there should be an explanation of how this will increase employment in the railway construction industry and subsequent wider impact on job creation.

Question	Answer	Marks	Guidance
3(b)	**Discuss whether a nationalised or a privatised system is likely to generate a better market for rail travel.** • analysis that considers the advantages and disadvantages of state provision of rail transport **(up to 4 marks)** • analysis that considers the advantages and disadvantages of private provision of rail transport **(up to 4 marks)** **(AN: up to 8 marks)** • evaluative judgement that makes clear which is likely to best at providing new investment funding **(up to 3 marks)** with a conclusion **(1 mark)** **(EV: up to 4 marks)**	**12**	This question requires an answer that looks at whether such investment is best provided by the government or the private sector within the context of enterprise and opportunity cost. The cases for nationalisation and privatisation should be analysed with particular focus on the provision of funds for new investment but also in the broader sense of public vs market provision.
4(a)	**Explain the likely causes of a deficit on the current account of the balance of payments for an economy that relies heavily on agricultural products.** • meaning of the current account of the BoP **(1 mark)** • meaning of a deficit (imports > exports) **(1 mark)** **(KU: up to 2 marks)** • explains one reason that might cause a deficit in the current account of the balance of payments **(up to 2 marks)** • explains (at least) one further reason that might cause a deficit in the current account of the balance of payments **(up to 2 marks)** • elaboration that relates the deficit to dependence on agricultural products **(up to 2 marks)** **(APP: up to 6 marks)**	**8**	Possible causes that might be explained include: • A higher rate of inflation in an economy than in other trading economies • Decline in competitiveness of an economy's industry because of lack of innovation • A rise/fall in the exchange rate with due reference to elasticities • An increase in trade barriers

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Question	Answer	Marks	Guidance
4(b)	**The largest economy in the world, the United States (US), records a persistent deficit on its current account of the balance of payments.** **Discuss what is likely to be the most effective way to reduce this deficit.** • explains **one** policy to reduce the deficit with due reference to the strengths and weaknesses of this policy **(up to 4 marks)** • explains (at least) **one** further policy to reduce this deficit with due reference to the strengths and weaknesses of the(se) policy(ies) **(up to 4 marks)** **(AN: up to 8 marks)** • Evaluative judgement that compares the effectiveness of the policies **(up to 3 marks)**; conclusion regarding which is 'most effective' **(1 mark)** **(EV: up to 4 marks)**	**12**	Policies could be a range of expenditure switching policies such as competitive depreciation of the currency, tariffs, quotas and so on Or expenditure reducing policies such as tax rises, cuts in government spending or deflationary monetary policy such as a rise in the rate of interest, or tighter control the money supply The candidate needs to refer to the strengths and weaknesses of the policies and these need to be compared to arrive at a conclusion on which is likely to be most effective.

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