Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **October/November 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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ASSESSMENT OBJECTIVES

Question	Answer	Marks	Guidance
1(a)	**Calculate import expenditure as a percentage of total demand in India in quarter 1 2019**. 18.5% **(1 mark)**	**1**	Method of calculation is not required, only the final answer. Accept 18.5
1(b)(i)	**The Indian government promised that it would cut income tax to ensure greater purchasing power for consumers.** **Explain how economists would measure the impact of a cut in income tax upon the demand for different goods such as scooters and smartphones.** For recognition that they would use the income elasticity of demand **(1 mark)** because this measures the response of demand for a good to a change in income **(1 mark)**	**2**	For the first mark, all that is required is identification of the measure For the second mark, this must explain what is being measured and/or provide a formula
1(b)(ii)	**With reference to the data, explain whether the impact of the income tax cut is likely to be the same on the demand for scooters and the demand for smartphones.** For an **explanation** that, according to the data, scooters show a decline in demand as incomes are rising, meaning they are inferior goods **(1 mark)** **Whereas** smartphones show a rise in demand as incomes are rising, meaning they are normal or luxury goods **(1 mark)**	**2**	Candidates need to explain that the impact will vary according to the nature of each type of good and apply it to the case of scooters and smartphones. The data suggest that there is 'continuing growth of incomes'. The data also state that scooter sales are down, yet sales of smartphones have been growing faster than incomes are growing It can be concluded from the data that scooters are inferior goods and smartphones are normal or luxury goods (This would be sufficient for both marks)

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Question	Answer	Marks	Guidance
1(c)	**Using the information, identify <u>one</u> policy that could be considered a supply-side measure and explain how this policy could make Indian businesses more competitive.** For an identification of a valid supply-side measure that could make Indian businesses more competitive **(1 mark)** For an explanation of how this will make businesses more competitive **(up to 2 marks)** The 3rd mark must refer specifically to 'more competitive'. For example, one policy is to reduce business taxes (1) which will provide more available money to invest in new technology (1) which will in turn improve quality of goods/services and/or allow prices to be reduced, therefore making the business more competitive (1)	**3**	Supply-side measures mentioned in the extract include cutting income taxes, cutting business taxes and improving infrastructure. However, any valid supply-side measure that might make Indian businesses more competitive is acceptable Any policy chosen as a supply-side measure should be explained as a supply-side tool rather than demand-side to gain any credit at all, even for identification. For example, cutting income taxes should not be credited if it is discussed in terms of a boost to consumption/demand, but only if discussed, for example, as increasing/ improving the labour force

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Question	Answer	Marks	Guidance
1(d)	**Discuss whether the advantages of cutting interest rates in the Indian economy would outweigh the disadvantages.** For an identification of the impact of the cut in interest rates upon any component of aggregate demand **(1 mark)** For an explanation of how this will create possible advantages for India's economy **(up to 2 marks)** For an explanation of how this will create possible disadvantages for India's economy **(up to 2 marks)** For an evaluative comment on whether the advantages will outweigh the disadvantages **(1 mark)**	**6**	Cutting interest rates will have a number of effects. There should be an increase in consumption and investment expenditure, and this will increase aggregate demand. In addition, the impact will be an outflow of foreign currency and a fall in the exchange rate. This should stimulate net exports and again aggregate demand will increase. The increase in aggregate demand will stimulate output and employment However, a disadvantage is that demand-pull inflation will occur, and this has internal and external consequences for India's economy In evaluation, candidates may refer to the possible impact on LRAS due to possible additional investment. This may, of course, obviously offset any inflationary pressure

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Question	Answer	Marks	Guidance
1(e)	**Consider whether roads and other items of infrastructure in India would be better provided by the private sector or by the government in India.** For an explanation of why some infrastructure either could only or may be better provided by the government **(up to 3 marks)** For an explanation of why some infrastructure may be better provided by the private sector **(up to 3 marks)** **5 marks maximum** **Reserve 1 mark for a reasoned conclusion**	**6**	Reasons why some infrastructure may be better provided by the government may include accurate explanation of: • provision of public goods, i.e. those with characteristics of non-rivalry and non-excludability, e.g. street lighting • quasi-public goods, e.g. roads and bridges • free rider problem • merit goods • scale of investment needed Reasons for private sector provision may include: • they are private goods and why, therefore, profit motive applies leading to better efficiency • government budget restrictions • opportunity cost Note: explanations must be accurate, and credit must not be given to answers that simply assert all government funded infrastructure refers to public goods

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Question	Answer	Marks	Guidance
2(a)	**Use a diagram(s) to explain how a production possibility curve can be used to show opportunity cost and why such a curve is usually drawn with increasing opportunity costs.** For **knowledge and understanding** showing a diagram of a production possibility curve with correctly labelled axes **(up to 2 marks)** And **application** that explains how a movement along the curve illustrates opportunity cost. What opportunity cost is with reference to the products in the diagram(1), for showing a movement along the curve and the impacts on the output of the different products on the diagram (1) and explaining how this demonstrates opportunity cost (1) **(up to 3 marks)** And an explanation of why increasing opportunity costs are expected, curve must be concave and the significance explained (1), increasing opportunity costs clearly demonstrated on the diagram (1) and explained, e.g. because resources cannot be easily switched between products (1) **(up to 3 marks)**	**8**	Clearly the candidate only needs to draw one diagram to answer this question However, if the only diagram used shows a straight line PPC, then the maximum mark must be 5 as it cannot be used to answer the final part of the question Note: candidates may not follow the sequence described in this mark scheme, e.g. opportunity cost may be explained in the context of increasing opportunity cost, i.e. not separately. However, provided this is explained using a valid diagram, i.e. a concave PPC, then both marks **must** be awarded

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Question	Answer	Marks	Guidance
2(b)	**Discuss whether the principle of comparative advantage concludes that a movement to free trade will always result in an overall benefit for an economy.** For **analysis** that explains how the principle of comparative advantage justifies free trade in terms of an increase in overall output/consumption possibilities that will benefit an economy/ies **(up to 4 marks)** For **analysis** that suggests why the shortcomings of the principle of comparative advantage might make it less useful and therefore free trade might not be beneficial for an economy/ies **(up to 4 marks)** **8 marks maximum** For **evaluative comment** that assesses the relative strengths of each approach (**up to 3 marks**) And leads to a reasoned conclusion whether the principle of comparative advantage does suggest that a movement to free trade will always result in an overall benefit for an economy **(1 mark)** **4 marks maximum**	**12**	The analysis here needs to show how free trade can lead to overall benefit for an economy but also that this might not be the case Several approaches are acceptable: some might argue that transport costs might negate the benefits of trade or that the exchange rate is not favourable. Others might argue that a movement to free trade might lead to structural adjustments that bring costs to the economy. Some might argue that as specialisation takes place resources are re-allocated and opportunity costs might rise Candidates may suggest reasons for protectionism as a counter argument – this is also acceptable Note: there are no KU marks awarded in part (b) for merely explaining/defining terms or phrases used within the question

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Question	Answer	Marks	Guidance
3(a)	**Explain what is meant by consumer surplus and use diagrams to assess the impact on consumer surplus when an indirect tax is imposed on a good with price-elastic demand compared with the impact when the demand is price-inelastic.** For **knowledge and understanding** of consumer surplus, the difference (1) between the price a consumer is willing to pay for a product and its market price/price actually paid (1) **(up to 2 marks)** And **application** using a diagram to show the impact of an indirect tax on the consumer surplus when the demand for a good is price-elastic. An accurately labelled diagram that clearly shows a flatter/elastic demand curve and the shift to the left of the supply curve (1), the impact on the price and quantity (1), and the fall in consumer surplus (1) **(up to 3 marks)** And **application** using a diagram to show the impact of an indirect tax on the consumer surplus when the demand for a good is price-inelastic. An accurately labelled diagram that clearly shows a steeper/inelastic demand curve and a shift to the left of the supply curve, and the impact on price and quantity (1). The impact on consumer surplus should be clearly shown and compared with that of a price-elastic good (1) and possible reasons for the difference, e.g. degree of substitutability, addictive nature of the good, etc. (1) **(up to 3 marks)**	**8**	The comparison could be reversed, i.e. the candidate may first consider the price-inelastic good with the price-elastic good. This should be equally rewarded

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Question	Answer	Marks	Guidance
3(b)	**A government is considering whether to adopt a policy of maximum price legislation in the market for food or to provide food subsidies to alleviate hunger in a period of food shortages.** **Discuss whether maximum price legislation or food subsidies are more likely to alleviate hunger under these circumstances.** For **analysis** that explains the advantages and disadvantages of maximum price legislation **(up to 4 marks)** (**3 marks maximum** for an analysis that just considers either the advantages or the disadvantages) For **analysis** that explains the advantages and disadvantages of food subsidies **(up to 4 marks)** (**3 marks maximum** for an analysis that just considers either the advantages or the disadvantages) **8 marks maximum** For **evaluative comment** that compares the relative strengths and weaknesses of each approach in alleviating hunger under these circumstances **(up to 3 marks)** And leads to a reasoned conclusion whether maximum price legislation or food subsidies are more likely to alleviate hunger under these circumstances **(1 mark)** **4 marks maximum**	**12**	Maximum price legislation is imposed to keep the price of food low so that those on low incomes can afford to buy food. The impact, however, is to reduce the supply of food and create excess demand. Informal markets and queuing are likely to follow, and rationing might be necessary Food subsidies will reduce the price of food and increase the supply of food, but the impact depends upon the elasticity of demand of food. The effects might only be felt in the long term. The low prices might encourage hoarding of food. There are also possible opportunity costs involved as well as overall pressure on the government budget Subsidies may be ineffective in times of famine/supply chain crises, etc. Note: there are no KU marks awarded in part (b) for merely explaining/defining terms or phrases used within the question

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Question	Answer	Marks	Guidance
4(a)	**Explain what is meant by inflation and, using diagrams, show how it can arise both as a result of a shift in the aggregate demand curve and a shift in the aggregate supply curve.** For **knowledge and understanding** of inflation defined as a continuous/ sustained rise (1) in the general/average level of prices **–** a simple reference to price level is acceptable if it is clear from the rest of the answer that this refers to **all** prices and not just the price level of one product (1) **(up to 2 marks)** And **application** that uses a diagram to show that inflation can be caused by a shift to the right of the aggregate demand curve. For an explanation why AD might increase (1), an accurately labelled diagram that shows the rightwards shift in AD and resulting increase in the general price level (1), and clearly explains that inflation occurs **due to this excess in aggregate demand** (1) **(up to 3 marks)** And **application** that uses a diagram to show that inflation can be caused by a shift to the left of the aggregate supply curve. For an explanation why AS may fall (1), an accurately labelled diagram that shows the leftwards shift in AS and resulting increase in the general price level (1), and clearly explains that inflation occurs **due to this decrease in aggregate supply** (1) **(up to 3 marks)**	**8**	Do not reward 'micro' diagrams showing S/D or P/Q Axes should show general/average price level and output/GDP, etc. However, if it is clear from the written response that the candidate understands that it is an impact on general or average prices, then benefit of doubt can be given if the Y axis simply refers to P or prices and everything else on the diagram is accurate Reasons why AD may increase include a rise in C, I, G, X or a fall in M Reasons why AS may fall include a rise in costs, tax, etc.

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Question	Answer	Marks	Guidance
4(b)	**Discuss whether the domestic effects of inflation are more serious than the external effects for an economy.** For **analysis** of the domestic effects of inflation **(up to 4 marks)** For **analysis** of the external effects of inflation **(up to 4 marks)** **8 marks maximum** For **evaluative comment** that assesses the relative seriousness of the internal and external effects **(up to 3 marks)** And leads to a reasoned conclusion as to which effect is likely to be the most serious for an economy **(1 mark)** **4 marks maximum**	**12**	The domestic effects include a haphazard redistribution of income, a fall in savings and productive investment, menu and shoe leather costs The external effects include a rise in the price of exports and a fall in the relative price of imports with implications for the current account of the balance of payments, the exchange rate and capital flows If any part of the answer confuses domestic effects with external effects, then this part should **not** be rewarded. However, parts that are accurate should be rewarded Note: there are no KU marks awarded in part (b) for merely explaining/defining terms or phrases used within the question

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