Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

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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Question	Answer	Marks	Guidance
1(a)	**Use the data in Fig. 1.1 to describe how the contribution to real output growth of the different components of aggregate demand in China has changed from 2010 to 2017.** Award 1 mark for any **two** of the following: • Lower contribution of investment expenditure over the period • Relatively stable contribution in consumption expenditure • In 2010, net exports were negative but by 2017 they were positive / however, over the period they have fluctuated between positive and negative **(2 marks)**	**2**	It is not enough to simply quote figures – some measure of change in contribution is needed, i.e. increase, decrease, no discernible change, etc.
1(b)(i)	**What relationship might you expect between the rate of growth in real output and sales of new cars in an economy?** There is likely to be a positive correlation / would be expected to be a similar pattern / trend between the rise in GDP growth and the change in private car sales **(1 mark)**	**1**	
1(b)(ii)	**Consider whether the evidence in Fig. 1.1 and Table 1.1 supports this relationship.** It is broadly consistent (1) Highest and lowest rates of growth correspond (2010 and 2017 respectively) (1) There is positive growth in all years for both real output and sales of new cars, but rates of growth do not always match (1) Growth rate is more consistent than growth in car sales throughout (1) **(2 marks)**	**2**	1 mark to be awarded for each accurate statement up to a maximum of 2 marks

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Question	Answer	Marks	Guidance
1(c)	**State <u>one</u> protectionist measure that may be adopted by the US in a trade war with China and explain what effect this would have on consumers and producers in the US.** Various possibilities including: • Tariff, quota, regulations (maximum of 1 mark for identifying one measure) • Increases prices of imported goods for consumers (1) and raises costs of production for producers due to higher imported raw material costs (1) increases demand for domestic producers (1) **(3 marks)**	**3**	Accept any other valid impacts on consumers and producers, but 1 mark max. for each and **both** must be considered for full marks
1(d)	**Discuss whether cuts in direct taxes would increase the demand for all types of consumer goods in China.** Award 1 mark for recognising that a cut in direct taxes may increase demand for consumer goods due to a rise in disposable income (1) Up to 2 marks for explanation of why a cut in direct taxes would increase demand for normal/luxury with a positive YED value consumer goods Up to 2 marks for an explanation of why a cut in direct taxes will not lead to an increase in demand for inferior/negative value consumer goods **Up to a maximum mark of 5 for analysis** **Reserve 1 mark for a reasoned conclusion**	**6**	Alternative ways of expressing disposable income are acceptable and should be rewarded, e.g. more spending power, more money in the pockets of consumers, etc.

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Question	Answer	Marks	Guidance
1(e)	**Discuss whether increasing domestic consumption is the best way for China to maintain the growth in real output at the current rate 'over the next few years'.** Analysis of the advantages and disadvantages of increasing domestic consumption to maintain the growth in real output (up to 3 marks) **Max. 2 if only advantages or disadvantages are considered** Analysis of the advantages and disadvantages of an alternative way/ ways, i.e. increased I or X (up to 3 marks). **Max. 2 if only advantages or disadvantages are considered** **Up to a maximum mark of 5 for analysis** **Reserve 1 mark for a reasoned conclusion**	**6**	Increasing domestic consumption will increase AD and output. This can be done through reducing direct or indirect taxes. The increased spending benefits the Chinese economy through increased employment and can be more certain than having to rely on external factors such as the global economy or US trade policy to generate growth. Care must be taken to not increase the rate of inflation as AD increases Alternative policies could be increasing investment or export-led growth

Question	Answer	Marks	Guidance
2(a)	**Explain how the fundamental economic problem is addressed in a planned economy and in a market economy.** **For knowledge and understanding** of fundamental economic problem, scarce resources (1) but unlimited wants (1) **(up to 2 marks)** **And application that explains** how this problem is addressed in a planned economy. Central planning, government allocation of resources, welfare, etc. may be discussed **(up to 3 marks)** And further **application** how this problem is addressed in a market economy. The role of the price mechanism, e.g. rationing, signalling, interaction of demand and supply, etc., may be discussed **(up to 3 marks)**	**8**	The fundamental economic problem is tackled by means of market forces in a market economy. In a planned economy it is in the hands of government to ensure that resource allocation is equitable and possible
2(b)	**Discuss the view that in a mixed economy the only role of government should be to provide public goods and the supply of merit goods should be left to the private sector.** **Analysis** of the reasons why public goods are provided by the government and not the private sector **(up to 4 marks)** **Analysis** of the reasons why merit goods may be provided by the private sector **and/or** the government **(up to 4 marks)** **8 marks maximum** For an **evaluation** of whether the only role of government in a mixed economy is to provide public goods and that merit goods should be left to the private sector **(up to 4 marks)** **Reserve 1 mark for a valid conclusion**	**12**	Merit goods such as health provision, education and childcare are usually provided by both private and public sectors in a mixed economy. When provided by the private sector, a charge is usually but not always made at the point of use Government provision is funded through taxation; consumers will be charged a subsidised price or no charge at all. Much depends upon efficiency and how governments view the benefits of merit goods provision Without the involvement of government, some merit goods may be underprovided – **may be used as an evaluative comment** 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)	**Using the concept of price elasticity of demand, explain why increasing the price of the product is:** **(i) a bad idea for a firm producing a product that constitutes a large proportion of household income, and** **(ii) a good idea for a firm producing a product that constitutes a small proportion of household income.** **For knowledge and understanding**, meaning of PED (1) plus an accurate formula (1) **(up to 2 marks)** **And application:** For explanation of the effects on revenue where PED is elastic (i). For a product that constitutes a large proportion of household income this means that the PED will most likely be elastic (1) which means (1) so revenue is likely to fall (1) **(up to 3 marks)** For explanation of the effects on revenue where PED is inelastic (ii). For a product that constitutes a small proportion of household income this means that the PED is likely to be inelastic (1) which means (1) so revenue is likely to rise (1) **(up to 3 marks)**	**8**	Where PED is elastic, an increase in price will lead to less revenue A firm with an inelastic PED will experience an increase in its revenue if it increases the price of its product Note: simple explanations of the impact of elasticity should not be credited, e.g. an increase in price leads to a large fall in demand/no change in demand. The answer must refer to % or proportional changes

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Question	Answer	Marks	Guidance
3(b)	**Discuss whether cross elasticity of demand or income elasticity of demand is likely to be more useful in assisting a firm in its pricing decisions.** For an **analysis** of price changes on the market for substitutes and complements (**up to 4 marks but a max. of 3 if only complements or substitutes are considered**) For an **analysis** of price changes on normal/luxury goods and inferior goods when incomes change **(up to 4 marks but a max. of 3 if only normal/luxury or inferior goods are considered)** **8 marks maximum** For an **evaluation** of which of the two measures is likely to be most useful to the firm in its pricing decisions **(up to 4 marks)** **Reserve 1 mark for a conclusion**	**12**	XED and YED should only be analysed in the context of their usefulness in assisting a firm in its pricing decisions Note: there are no KU marks awarded in part (b) for merely explaining/defining terms or phrases used within the question
4(a)	**Explain how inflation is measured and why a rising rate of inflation may be of concern to consumers and producers.** **For knowledge and understanding** of what is meant by inflation and how it is measured. Inflation is a sustained increase in the (general) price level (1) and is normally measured by the CPI or equivalent index (1) **(up to 2 marks)** **And application** that explains the problems for consumers (e.g. loss of purchasing power if on fixed income, erosion of real value of savings). 1 mark per explained problem **(up to 3 marks)** And further application that explains the problems for producers (e.g. menu costs, difficulty in making long-term decisions such as investment). 1 mark per explained problem **(up to 3 marks)**	**8**	Inflation occurs when there is a rise in the general price level in an economy. It is usually measured by the annual change in a Consumer Prices Index (CPI). A rising rate of inflation is of concern depending on its extent and how this compares with any stated target Reference to fixed income earners, menu costs, shoe leather costs, export competitiveness and business confidence are relevant **At least two problems for each should be explained and one problem well explained can gain 2 marks.**

Question	Answer	Marks	Guidance
4(b)	**Discuss whether a policy of increasing interest rates is the best way of controlling a rising rate of inflation in an economy.** For **analysis** of the advantages and disadvantages of a policy of increasing interest rates to control inflation. **(Up to 4 marks but 3 marks max. if only advantages or disadvantages are considered)** For **analysis** of the advantages and disadvantages of at least one other policy used to control inflation. **(Up to 4 marks but 3 marks max. if only advantages or disadvantages are considered)** **8 marks maximum** For an **evaluation** as to which is likely to be the best policy to control inflation **(up to 4 marks)** **Reserve 1 mark for a valid conclusion**	**12**	There are various policies for controlling a rising rate of inflation, one of which is increasing interest rates. This policy is expected to reduce consumption and investment by firms whilst increasing savings. The effectiveness though depends upon the rate of inflation and the time it takes for increased interest rates to have an impact. Fiscal and supply-side policies are alternative methods of control 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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