Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

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

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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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ANNOTATIONS

Any script you mark may be seen or reviewed by your TL, another TL, the Principal Examiner, Cambridge staff or the candidate's Centre. Annotation will make it clear how you arrived at the mark that you have awarded. The following annotations are used in marking this paper and should be used by examiners wherever appropriate.

Annotation	Use or meaning
KU	Relevant economic knowledge and understanding used to help answer the question here (see AO1).
APP	Relevant application of economic concepts to the given question or context is shown here (see AO2)
AN	Relevant economic analysis of the situation in the question is demonstrated (see AO3).
EE	Relevant, effective evaluation of the issues in the question is given here (see AO4).
✓	Correct and relevant point made in answering the question.
BOD	Benefit of the doubt given. The point has not been made quite correctly, completely or precisely, but is nearly there and the intention is clear.
^	Omission mark. A term, a label, a line on a graph, an example, etc, required to make the point correctly has been missed out of the response.
×	Incorrect point or error made.
TV	Too vague. This part of the response is not precise enough to be worth any credit.
?	The point being made is unclear or confused.
IR	Irrelevant response – this work is not helping the candidate to answer the given question.
SEEN	This work has been noted by the examiner, but there is nothing of any credit here.
highlighter	Used to indicate something of significance, or referred to by another annotation or comment.
[T] (text box)	A catch-all, when you need to give more detail or explanation. Please note that teachers who request a script can read your comments. For the Essay there may be a requirement to show part marks in a text box – see the detailed mark scheme.

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ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

SECTION B

Examiners please note: for the essays there are **two** marks to be entered in RM Assessor for **2(b)**, **3(b)** and **4(b)** rather than one. You will be required to enter

- a mark out of **8** for **analysis** in a mark box labelled **AN**, and
- a mark out of **4** for **evaluation** in a mark box labelled **EV**.

This will make it clearer how you have arrived at the marks awarded, and also means that RM Assessor will do the addition rather than examiners needing to do it themselves.

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Question	Answer	Marks	Guidance
1(a)	**Explain what might be the opportunity cost if the Pakistan government agreed to pay subsidies to Pakistan's farmers comparable to those paid to India's farmers.** • Opportunity cost is the cost in terms of the best alternative that is forgone **(1 mark)** • The decision to increase subsidies means that other areas of government funding with a specific example will have less spending allocated to them **(1 mark)**	**2**	Other areas of government funding may include healthcare, education, infrastructure etc. Accept any valid example Accept answers that merge the explanation of opportunity cost with an appropriate example for 2 marks.
1(b)(i)	**With reference to Table 1.1, state in which product group Pakistan's farmers are most disadvantaged.** Maize **(1 mark)**	**1**	Maize has the greatest relative cost difference (2.24 although this measure is not required.) Do not accept any other product group.
1(b)(ii)	**Explain how the lower level of subsidy currently paid to Pakistan's farmers is likely to affect Pakistan's trade in agricultural goods when competing with India in international markets.** It is likely to make exports of Pakistan's agricultural products less price competitive / imports of India's agricultural products more price competitive **(1)** and the resulting reduction in exports **(1)** and increasing imports **(1)** is likely to lead to a (increased) deficit in Pakistan's trade in agricultural goods **(1)** **Up to a maximum of 3 marks**	**3**	Responses may consider the following points within the explanation: • Pakistan is already at a cost disadvantage when trading with India • Pakistan's agricultural exports are likely to be less competitive than similar exports from India • Lower subsidies exaggerate the cost differences • Could mean that imports of staple foods from India increase • Other countries will buy more goods from India due to cost difference

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Question	Answer	Marks	Guidance
1(c)	**Analyse, with the help of a diagram, how the sales tax on fertilisers affects the market for fertilisers in Pakistan.** For an accurate diagram that uses an accurately labelled D and S diagram to show a shift in the supply curve **(1 mark)** and the increase in price and reduction in quantity **(1 mark)** For an explanation that the fall in demand will depend upon the PED for fertilisers and /or the size of the sales tax. **(Up to 2 marks)**	**4**	A sales tax increases the price of fertilisers to farmers in Pakistan. This can be shown by a shift to the left of the supply curve. The effect on the market is likely to depend upon the PED for fertilisers and the size of the sales tax.
1(d)	**Explain <u>two</u> other ways, apart from subsidies and reductions in sales tax, in which the government might support Pakistan's farmers.** Identification of an additional way **(1 mark)** plus an explanation of how this will support farmers **(1 mark)** **Up to 2 marks per identified way × 2**	**4**	Various possibilities include: • A minimum price for a given crop • Income support through transfer payments • Advice on how to cut costs and improve crop yields • Cheap finance to buy better quality seed • Policy of protectionism **(N.B. do not accept 2 policies of protection as 2 separate ways)** • Education and training
1(e)	**Discuss whether agricultural subsidies should not be paid to farmers in countries which have lower opportunity costs in other areas of production.** For an explanation of the benefits of paying agricultural subsidies to farmers **(up to 3 marks)** For an evaluation of whether agricultural subsidies should be paid to farmers if the country already has lower opportunity costs in other industries. **(Up to 3 marks with 1 mark reserved for a conclusion)**	**6**	The answer should consider the benefits of subsidies to farmers in terms of increasing their incomes and benefits to the economy in terms of reducing import dependence and keeping the prices of staple goods affordable. The evaluation should consider these benefits in countries that have lower opportunity costs in other areas of production e.g., may be an unnecessary burden on government expenditure, may invite retaliation, may restrict trade etc.

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Question	Answer	Marks	Guidance
2(a)	**Explain why demerit goods are over-consumed and merit goods are under-consumed.** For **knowledge and understanding** of the difference between demerit goods and merit goods e.g., demerit goods are those that are thought to be undesirable for consumers / worse for them than they realise **(1**) and merit goods are those that are thought to be desirable for consumers / better for them than they realise **(1)** For **application** that explains that demerit goods are often overconsumed because of imperfect information **(1**) giving an example **(1)** with further development e.g., also because of low income, poor education, low prices of demerit goods, addiction **(1)** For **application** that merit goods are often underconsumed because of imperfect information **(1)** giving an example **(1)** with further development e.g., also because of low income / high prices of merit goods **(1)**	**8**	Demerit goods are over-consumed because of imperfect information on the part of those who consume them. They are not aware of the risks to health of over consumption. The positive side effects of consuming merit goods are not appreciated by all consumers due to imperfect information. We cannot expect any discussion regarding costs and benefits including externalities, private costs and benefits, social costs and benefits as these are not on the AS syllabus but these may be rewarded if included.

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Question	Answer	Marks	Guidance
2(b)	**Discuss the extent to which the introduction of a maximum price in a market will benefit consumers.** For **analysis** of how the introduction of a maximum price in a market may benefit consumers. **(Up to 4 marks)** For **analysis** of how the introduction of a maximum price in a market may not be of benefit to consumers. **(Up to 4 marks)** For **evaluation** that clearly considers the extent to which consumers may benefit from the introduction of a maximum price in a market **(up to 3 marks)** that leads to a reasoned conclusion **(1 mark)**	**12**	The purpose of maximum price legislation is to ensure that consumers get access to supplies of essential products such as various types of food and in some cases, water and power supplies. It may also free up income to purchase other essential items. To be effective the maximum price must be below the equilibrium price in a free market, and this may be referred to in the first part of the analysis. An accurate diagram should not be expected but would enhance the quality of the analysis. However, the problem with a maximum price is that demand invariably exceeds supply at this price. Shortages can occur and this can lead to an informal market and profiteering along with rationing and queuing. Consumers may end up paying even more than the equilibrium price to get the supplies they need.

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Question	Answer	Marks	Guidance
3(a)	**Explain the difference between a progressive direct tax and a regressive indirect tax, with an example of each.** For **knowledge and understanding** of the difference between a direct tax and an indirect tax e.g., a direct tax is a tax on income and wealth **(1)** and an indirect tax is a tax on the sale of/ spending on goods and services **(1)** For **application** that provides a valid identification of a direct tax **(1 mark)** and explains why it may be progressive with reference to the burden of taxation as income rises **(1 mark)** with accurate reference to the marginal rate of taxation. **(1 mark) OR** the marginal rate of tax will be higher **(1 mark)** than the average rate of tax **(1 mark)** **Up to 3 marks** For **application** that provides a valid identification of an indirect tax **(1 mark)** and explains why it is considered regressive with reference to the relative burden of taxation between higher and lower income groups **(1 mark)** with accurate reference to the marginal rate of taxation (**1 mark) OR** the marginal rate of tax will be lower **(1 mark)** than the average rate of tax **(1 mark)** **Up to 3 marks**	**8**	A direct tax is one that is paid by individuals or businesses direct to the government. It is based on an individual's income or on the profits of a business. Examples are income tax and profits tax. An indirect tax is so-called because it is not directly collected by the government-retailers and local government agencies are the main collectors. The tax is based on the purchase of products. Examples are GST or VAT and duties charged on sales of petrol, cigarettes and alcohol. A direct tax is usually progressive, the rate of taxation increasing as income increases. Indirect taxes are regressive since they have to be paid irrespective of the income of the consumer. The marginal rate of taxation is the proportion of **extra** income taken in tax. This will rise with a progressive tax thus increasing the burden on higher income groups. It will fall with a regressive tax thus increasing the burden on lower income groups. The average rate of tax refers to the proportion of income taken so for a progressive tax the marginal rate of taxation will be **higher** than the average rate of taxation and **lower** for a regressive tax.

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Question	Answer	Marks	Guidance
3(b)	**Discuss whether an increase in direct taxes or an increase in interest rates is the more effective way of reducing inflation.** For an **analysis** of the advantages and disadvantages of increasing direct taxes to reduce inflation. **N.B** if only advantages or disadvantages are considered then **maximum** mark of **3. Up to 4 marks** For an **analysis** of the advantages and disadvantages of increasing interest rates to reduce inflation. **N.B** if only advantages or disadvantages are considered then **maximum** mark of **3. Up to 4 marks** For an **evaluation** of which may be the more effective way of reducing inflation **(up to 3 marks)** that leads to a reasoned conclusion **(1 mark)**		An increase in direct taxes is likely to lead to a fall in AD and therefore inflation due to a fall in consumption and investment. It is likely to be easy to implement and may be seen as fair if the tax is progressive as the burden will fall more on higher income groups. However, it may reduce incentives and lead to lower economic growth. An increase in interest rates should lead to an increase in savings and a fall in consumption and investment due to the increase in borrowing. The effects are likely to be quicker than an increase in direct taxes due to the speed of implementation. However, it may have similar consequences to an increase in direct taxes and it may be ineffective if interest rates are already very low, or confidence levels remain high. Both evaluation and analysis may make reference to the fact that effectiveness of both methods depends on the type of inflation i,e., if it is cost-push rather than demand -pull, they may be ineffective.**.**

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Question	Answer	Marks	Guidance
4(a)	**Explain how a higher rate of inflation in an economy compared to its trading partners and a decline in the exchange rate will each affect the terms of trade in an economy.** For **knowledge and understanding** of what is meant by terms of trade i.e., it is a measure of the ratio of export to import prices **(1)** plus an accurate formula showing index of export prices / index of import prices **(1).** For **application** that explains the effect of a higher rate of inflation compared to trading partners on the terms of trade of an economy. It will increase the relative price of exports **(1)** and reduce the relative price of imports **(1)** therefore leading to an improvement of the terms of trade **(1)** **(Up to 3 marks)** For **application** that explains the effect of a decline in its exchange rate will affect the terms of trade in an economy. It will reduce the relative price of exports **(1)** and increase the relative price of imports **(1)** and lead to a deterioration in the terms of trade **(1)** **(Up to 3 marks)**	**8**	Terms of trade is a measure of the relationship between export prices and import prices in an economy. By definition, a favourable movement or improvement is when export prices increase relative to a change in import prices. Import prices could fall while export prices remain unchanged. A higher rate of inflation compared to that in trading partners will result in an increase in export prices and an improvement in the terms of trade. A decline in the exchange rate results in a relative fall in export prices compared to trading partners. Terms of trade deteriorates.

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Question	Answer	Marks	Guidance
4(b)	**Since 2018, China and the United States (US) have been imposing tariffs on trade with each other.** **Discuss the view that some will benefit and some will lose but the overall impact of these tariffs will be negative.** For **analysis** that explains the benefits of imposing tariffs **N.B** if only one benefit is considered then **maximum** mark of **3. Up to 4 marks** For **analysis** that explains the costs of imposing tariffs **N.B.** if only one cost is explained then **maximum** mark of **3. Up to 4 marks** For **evaluation** that considers the costs and benefits and assess whether the overall impact will be negative **(up to 3 marks)** leading to a reasoned conclusion **(1 mark)**	**12**	Protection occurs where a government protects its domestic producers from external competition through measures such as tariffs. These measures distort the market and do not lead to an efficient allocation of resources. Benefits: protecting employment, infant industry argument, sunset industries argument, reducing deficit on current account of the balance of payments. Costs: higher prices for consumers, less choice, protects inefficient firms and industries. Evaluation may make a comparison with the benefits of free trade.

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