Cambridge Assessment International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/21**

Paper 2 Data Response and Essay **October/November 2023**

MARK SCHEME

Maximum Mark: 60

**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.

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).

**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.

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**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.

**Guidance on using levels-based mark schemes**

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

**Assessment objectives**

**AO1 Knowledge and understanding**
- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

**AO2 Analysis**
- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

**AO3 Evaluation**
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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**Table A: AO1 Knowledge and understanding and AO2 Analysis**

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

| Level | Description | Marks |
|---|---|---|
| **3** | • A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate.<br>• The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations.<br>• Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained.<br>• Responses are well-organised, well-focused and presented in a logical and coherent manner. | 6–8 |
| **2** | • Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies.<br>• The response addresses the general theme of the question and the relevant economic issues, with limited development.<br>• Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained.<br>• Responses are generally logical and coherent but are sometimes lacking in focus or organisation. | 3–5 |
| **1** | • A small number of relevant knowledge points are included and the response is limited by significant errors or omissions.<br>• The response has little relevance to the question.<br>• Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely.<br>• Responses show limited organisation of economic ideas. | 1–2 |
| **0** | No creditable response. | 0 |

**Table B: AO3 Evaluation**

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

| Level | Description | Marks |
|---|---|---|
| **2** | • Provides a justified conclusion or judgement that addresses the specific requirements of the question.<br>• Makes developed, reasoned and well-supported evaluative comment(s). | 3–4 |
| **1** | • Provides a vague or general conclusion or judgement in relation to the question.<br>• Makes simple evaluative comment(s) with no development and little supporting evidence. | 1–2 |
| **0** | No creditable response. | 0 |

**Section A Data response**

| Question | Answer | Marks |
|---|---|---|
| Follow the point-based marking guidance at the top of this mark scheme. | | |
| 1(a) | **Using the data in Table 1.1, calculate the expected growth in Taiwan's real GDP in 2021, based on the latest forecast.**<br><br>• Expected growth in Taiwan's real GDP in 2021 is 4.6% minus 1.3% = 3.3% **(2)**<br><br>• If a candidate correctly shows the method, i.e. 4.6% minus 1.3%, but makes an incorrect calculation, one mark can be awarded. **(1)**<br><br>• OR if a candidate states nominal GDP growth – CPI increase = real GDP growth **(1)** | **2** |
| 1(b) | **State two internal causes of economic growth for Taiwan in 2021 and consider which of these is more likely to generate long-term economic growth.**<br><br>• Identification of capital investment. **(1)**<br><br>• Example of capital investment by Taiwan producer of US$28 billion leading to faster economic growth (needs to refer to figure to gain the second mark). **(1)**<br><br>• Identification of growth in consumption expenditure. **(1)**<br><br>• Consumption expenditure is forecast to grow by 3.7% in 2021, the fastest growth in 17 years, leading to faster economic growth (needs to refer to the 3.7% growth figure to gain the second mark). **(1)**<br><br>**(Max 3 marks)**<br><br>**Evaluation**<br><br>Offers a valid judgement on which of these causes is more likely to generate long-term economic growth. **(1)** | **4** |
| 1(c) | **Explain why the Taiwan dollar appreciated in 2020.**<br><br>Explanation linking the appreciation of the currency to:<br>• an increase in the demand for exports/an increase in the trade surplus **(1)**<br>• and therefore the need to be in possession of Taiwan dollars in order to buy these exports. **(1)**<br><br>**(Up to 2 marks)** | **2** |

| Question | Answer | Marks |
|---|---|---|
| 1(d) | **Assess whether the effects of the appreciation of the Taiwan dollar on the terms of trade will benefit all industries in Taiwan.**<br><br>**Up to 4 marks for explanation/analysis:**<br><br>Explanation of the terms of trade in relation to the ratio of average export prices to average import prices. **(1 mark)**<br><br>The impact of the appreciation of the Taiwan dollar will be to make exports from Taiwan more expensive and imports into Taiwan less expensive. **(Up to 3 marks)**<br><br>**Guidance:** A max of 2 marks if only the effect on exports or imports is assessed.<br><br>**Up to 2 marks for evaluation:**<br><br>Relevant evaluation of whether the effects of the appreciation of the Taiwan dollar on the terms of trade will benefit all industries in Taiwan, taking into account the potential impact of higher export prices and lower import prices on different industries **(1)** to reach a conclusion. **(1)** | **6** |
| 1(e) | **Assess the possible consequences of a higher rate of economic growth for an economy such as Taiwan.**<br><br>**Up to 4 marks for explanation/analysis:**<br><br>• **Positive consequences:** Explanation/analysis that a higher rate of economic growth will lead to increased expenditure, such as on education and health care. Explanation extended to other possible consequences, such as in relation to a higher standard of living, more jobs, higher incomes and less poverty. **(Up to 2 marks)**<br><br>• **Negative consequences:** Explanation/analysis that a higher rate of economic growth would increase pressure on available resources which could have possible negative environmental effects, such as in relation to congestion and pollution. **(Up to 2 marks)**<br><br>**Up to 2 marks for evaluation:**<br>Relevant evaluation which weighs up the consequences on both sides **(1)** to reach a conclusion on the likely overall effect. **(1)** | **6** |

| Question | Answer | Marks |
|---|---|---|
| **EITHER** | | |
| 2(a) | **With the help of a diagram, explain what could cause an increase in demand for a product <u>and</u> consider whether the impact of an increase in demand on the price of the product will be the same in the short run and the long run.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and understanding (max 3 marks)**<br><br>An understanding of the demand for a product, shown through an accurate diagram, with correctly labelled axes **(1)**, correctly labelled demand and supply curves and a correctly labelled shift of the demand curve to the right **(1)** and with equilibrium positions in terms of both price and quantity clearly shown or a movement from E1 to E2. **(1)**<br><br>**AO2 Analysis (max 3 marks)**<br><br>Uses the diagram to explain what could cause a shift of the demand curve to the right for a product and analyses the causes of an increase in demand for a product.<br><br>**AO3 Evaluation (max 2 marks)**<br><br>Offers a valid judgement on whether the impact of an increase in demand on the price of the product will be the same in the short run and long run **(1)** to reach a conclusion. **(1)** | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

| Question | Answer | Marks |
|---|---|---|
| 2(b) | **Assess whether price elasticity of demand (PED) or income elasticity of demand (YED) is likely to be of greater importance to a firm producing cars.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br>• An understanding of the meaning and formula of PED.<br>• An understanding of the meaning and formula of YED.<br>• An analysis of how each of these concepts can be applied to the specific context of a firm producing cars.<br><br>**Guidance:** A clear comparison of the strengths and weaknesses of these two concepts in the context of car production needed to get into Level 3.<br><br>**(Up to 8 marks)**<br><br>**AO3 Evaluation**<br>• PED should be easier for a firm to calculate than YED.<br>• PED will indicate whether price should be increased or decreased.<br>• However, a firm will need to take into account the availability of substitutes, the amount spent on the product and the time period under consideration.<br>• YED will be helpful in giving a firm an indication of the extent to which a change in income may affect spending on cars.<br>• However, a firm will need to take into account whether a car is seen as a normal or an inferior good, the proportion of income that is spent on the car and whether an economy is experiencing an upturn or a downturn.<br>• In conclusion, PED is likely to be of greater importance than YED, but YED will still be of some use.<br><br>Accept all valid responses.<br><br>**(Up to 4 marks)** | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |

| Question | Answer | Marks |
|---|---|---|
| **OR** | | |
| 3(a) | **Explain why a government might decide to increase its direct provision of essential goods and services <u>and</u> consider whether such a policy is always likely to be successful.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and understanding (max 3 marks)**<br><br>An understanding of the role of the state in providing essential goods and services, such as merit goods **(1)**; these could include education and health care **(1)** and they could be financed out of money received from taxation. **(1)**<br><br>**Guidance:** Allow expenditure by a government on items such as food and shelter.<br><br>**AO2 Analysis (max 3 marks)**<br><br>Up to 2 marks for explaining **each** essential good or service that a government might decide to increase the direct provision of.<br><br>**Max: 3 marks**<br><br>**Guidance:**<br>2 marks for each well-explained essential good or service provided by the state and 1 mark for each essential good or service provided by the state with limited explanation.<br><br>**AO3 Evaluation (max 2 marks)**<br><br>Offers a valid judgement on whether an increase in a government's direct provision of essential goods and services will always be likely to be successful in achieving its objectives in an economy **(1)** to reach a conclusion. **(1)** | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

| Question | Answer | Marks |
|---|---|---|
| 3(b) | **Governments sometimes fix maximum prices on goods for different reasons.**<br><br>**Assess whether the use of a maximum price is always advantageous.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>The **advantages** of a maximum price might include:<br>• The price of certain products, such as essential foods, can be limited by the establishment of a price ceiling.<br>• The effect of this will be to make such items more affordable to people.<br>• This will reduce the extent of poverty in a country.<br><br>The **disadvantages** of a maximum price might include:<br>• The impact of the maximum price will be to create a situation of excess demand in the market (this needs to be clearly explained).<br>• This could lead to queuing or rationing.<br>• It could lead to the creation of a black or illegal market.<br><br>**(Up to 8 marks)**<br><br>**AO3 Evaluation**<br><br>• Consideration of the relative balance of advantages and disadvantages of the policy.<br>• Consideration of the impact of this policy on producers and consumers.<br>• In conclusion, consideration of whether the policy will be effective and always advantageous.<br><br>Accept all valid responses.<br><br>**(Up to 4 marks)** | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |

| Question | Answer | Marks |
|---|---|---|
| **EITHER** | | |
| 4(a) | **Explain the reasons why governments impose taxes and consider whether an increase in income tax is fairer than an increase in sales taxes.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and understanding (max 3 marks)**<br><br>A clear understanding of the various possible reasons why governments impose taxes.<br><br>**AO2 Analysis (max 3 marks)**<br><br>Analysis of the distinction between a direct tax, such as income tax, and an indirect tax, such as a sales tax, with appropriate reference to fairness.<br><br>**AO3 Evaluation (max 2 marks)**<br><br>Offers a valid judgement on whether an increase in income tax is fairer than an increase in sales taxes **(1)** to reach a conclusion. **(1)** | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

| Question | Answer | Marks |
|---|---|---|
| 4(b) | **Assess whether a government should always aim to balance its budget rather than have a budget surplus or a budget deficit.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• The meaning of a **balanced budget**.<br>• The significance of a balanced budget.<br><br>• The meaning of a **budget deficit**.<br>• Link to expansionary fiscal policy.<br>• Explanation in relation to such aims as reducing the level of unemployment or increasing the rate of economic growth in an economy.<br><br>• The meaning of a **budget surplus**.<br>• Link to contractionary fiscal policy.<br>• Explanation in relation to such aims as reducing the rate of inflation or the size of the trade balance through a reduction of imports.<br><br>**(Up to 8 marks)**<br><br>**AO3 Evaluation**<br><br>• Consideration of which fiscal position is appropriate for particular macroeconomic problems.<br>• In conclusion, which approach will be better for particular economic situations.<br><br>Accept all valid responses.<br><br>**(Up to 4 marks)** | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |

| Question | Answer | Marks |
|---|---|---|
| **OR** | | |
| 5(a) | **Explain the difference between an import tariff and an import quota <u>and</u> consider why a government would choose an import tariff rather than an import quota as a tool of protection in international trade.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and understanding (max 3 marks)**<br><br>The meaning of an import tariff as a tool of protection. **(Up to 2 marks)**<br>The meaning of an import quota as a tool of protection. **(Up to 2 marks)**<br>**(Max 3 marks)**<br><br>**AO2 Analysis (max 3 marks)**<br>An explanation of the various advantages and disadvantages of an import tariff as a tool of protection in international trade. **(Up to 2 marks)**<br>An explanation of the various advantages and disadvantages of an import quota as a tool of protection in international trade. **(Up to 2 marks)**<br><br>**Max 3 marks**<br><br>**AO3 Evaluation (max 2 marks)**<br><br>Offers a valid judgement on why a government would choose an import tariff rather than an import quota as a tool of protection in international trade **(1)** to reach a conclusion. **(1)** | **8** |
| | AO1 Knowledge and understanding | 3 |
| | AO2 Analysis | 3 |
| | AO3 Evaluation | 2 |

| Question | Answer | Marks |
|---|---|---|
| 5(b) | **Assess whether the theories of absolute and comparative advantage are substantially undermined by their various limitations.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• The theory of absolute advantage.<br>• The theory of comparative advantage.<br>• How these theories could be used in the real world.<br><br>• The **assumptions** underlying these theories, such as in relation to only two products being traded, the existence of perfect competition in both product and factor markets, no transport costs, production subject to constant returns to scale and no restrictions on trade.<br><br>• The **limitations** of these theories, such as in relation to the fact that trade will involve more than two products, perfect competition will not apply to all markets, there will costs of transport, producers may experience economies of scale, reducing the costs of production, and there may well be trade restrictions in different parts of the world in the form of different methods of trade protection.<br><br>**(Up to 8 marks)**<br><br>**AO3 Evaluation**<br><br>• Considers the various assumptions of the theories<br>• In conclusion, are the theories substantially undermined by their various limitations?<br><br>Accept all valid responses.<br><br>**(Up to 4 marks)** | **12** |
| | AO1 Knowledge and understanding and AO2 Analysis | 8 |
| | AO3 Evaluation | 4 |