GradeMax

Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data response and Essay **October/November 2018**

MARK SCHEME

Maximum Mark: 40

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	Answer	Marks	Guidance
1(a)(i)	Overall it has increased **(1 mark)** Description of trend/change **(1 mark)**	**2**	For the second mark, we expect candidates to refer to the change in the growth rate after about 2005. E.G. The growth rate accelerated after 2005.
1(a)(ii)	For identification of a demand factor **(1 mark)** and for explanation **(1 mark)** For identification of a supply factor **(1 mark)** and for explanation **(1 mark)**	**4**	**Demand side**: e.g. increase in incomes, lower prices of complements, increased willingness to fly, poor quality rail services (tastes), advertising, etc. **Supply side**: more terminals, entry of new firms, fewer regulations, ease of entry for airlines to set up in India, lower operating costs, etc.
1(b)	For identification of one factor together with a valid example drawn from the context of airline operators. **(1 mark)** **Two factors = 2 marks**	**2**	Capital: aircraft, booking systems Labour: pilots, mechanics, flight attendants Enterprise: entrepreneurs willing to take risks and organise the other factors Land: the physical area taken up by airports The candidate must use the correct term to identify the factor and provide an appropriate example from the airline industry.
1(c)	For a correctly labelled diagram showing a shift to the left of the supply curve **(1 mark)** and the rise in price **(1 mark).** **(Up to 2 marks)** For an explanation of the incidence of the tax when the demand is elastic. **(Up to 2 marks)** For an explanation of the incidence of the tax when the demand is inelastic. **(Up to 2 marks)**	**6**	In this case, the airline industry is effectively the consumer of fuel. The greater the elasticity of demand the more that the incidence will fall upon the producer. The greater the inelasticity the more that the incidence will fall upon the consumer.

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Question	Answer	Marks	Guidance
1(d)	For an explanation of the benefits/ advantages of ending the rule **(Up to 3 marks)** For an explanation of the costs/ disadvantages of ending the rule **(Up to 3 marks)** **Reserve 1 mark for a reasoned conclusion**	**6**	The 5/20 restriction limits the supply of Indian airlines operating services outside the country. It protects the business interests of established carriers like Air India and Jet and the viability of the hub airports from which they operate. Fares are kept higher than if there were more competitors. The potential **advantages** of removing the 5/20 restriction are that it would open up the market, see new services and lower fares. It would not discriminate against Indian airlines relative to those that are foreign owned. The potential **costs** are that safety might be compromised as non-established firms enter the market, the greater competition might result in some established firms decreasing in size and losing the benefits of scale as a result, new entrants might bring poorer quality of services and so on, employee terms and conditions of services might decline. The wider effects on the Indian economy are less certain. There could be an improvement in the trade in services as Indian airlines generate foreign currency from fares; there could be a wider benefit as there are more opportunities for business travellers and tourists to visit India.

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Question	Answer	Marks	Guidance
2(a)	For a **knowledge and understanding** of private goods in terms of excludability and what that means **(1 mark)** and rivalry in consumption and what that means **(1 mark)** **(KU: up to 2 marks)** For **application** of why some goods are non-excludable and therefore cannot be provided as private goods **(Up to 3 marks)** For **application** of why some goods are non-rival are therefore cannot be provided as private goods **(Up to 3 marks)** If no example is provided then **2 marks maximum** for each type of good.	**8**	A private good has the characteristics of excludability and rivalry. This is normally achieved through the price mechanism and once a good is purchased, it cannot be consumed by others. Rivalry could also raise the price of a good. If a consumer does not have the resources, they cannot consume certain private goods. Public goods are provided to overcome this problem; they are non-excludable and non-rival. Their provision does through raise the issue of free riders. Reward relevant examples of private and public goods. Credit those candidates who include a consideration of rejectability if this adds to the quality of the answer.
2(b)	For an **analysis** of the costs/benefits of a subsidy on those forms of transport that might be considered as merit goods **(Up to 4 marks)** For an **analysis** of the costs/benefits of a subsidy on those forms of transport that are not considered as merit goods **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative comment** on whether **all** forms of transport should be subsidised with **1 mark reserved** for a conclusion **(EV: up to 4 marks)**	**12**	There are various arguments for subsidising transport. The arguments depend upon the extent to which different forms of transport could be considered as merit goods.

Question	Answer	Marks	Guidance
3(a)	For **knowledge and understanding** that an exchange rate is the price of one currency in terms of another or a basket of currencies **(1 mark)** that is determined by the interaction of demand and supply in the foreign exchange market **(1 mark)** **(KU: up to 2 marks)** For **application** of how a government could influence the demand for its currency to manage its value **(Up to 3 marks)** For **application** of how a government could influence the supply of its currency to manage its value **(Up to 3 marks)**	**8**	The government might manage the value by affecting the supply and/or demand for its currency through buying and selling foreign exchange reserves, changing interest rates, exchange control regulations and so on.
3(b)	For an **analysis** of the likely effects of a devaluation on the Chinese economy **(Up to 4 marks)** For an **analysis** of the likely effects of a devaluation on countries that trade with China. **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative judgement** of the likely relative impact on the Chinese economy compared to other trading partners. **Reserve 1 mark** for a reasoned conclusion on the overall impact on each economy. **(EV: up to 4 marks)**	**12**	The action by the Chinese government was a deliberate decision, namely a devaluation. The likely effect is to make Chinese exports to other countries even more price competitive whilst imports from elsewhere become less competitive. Reference to Marshall-Lerner and the J-curve effect are relevant.
4(a)	For **knowledge and understanding** that uses a correctly labelled diagram **(1 mark)** to show that equilibrium exists in the economy at the intersection of AD and AS **(1 mark)** **(KU: up to 2 marks)** **Using a diagram:-** For **application** showing how either an increase or decrease in aggregate demand in terms of its impact upon prices, employment and real output is determined by its interaction with aggregate supply curve. **(Up to 3 marks)** For **application** showing how either an increase or decrease in aggregate supply in terms of its impact upon prices, employment and real output is determined by its interaction with aggregate demand curve. **(Up to 3 marks)**	**8**	

Question	Answer	Marks	Guidance
4(b)	For **analysis** that explains any causes of an increase in AS **(Up to 4 marks)** For **analysis** that explains any the costs and benefits of the increase in AS **(Up to 4 marks)** **(AN: up to 8 marks)** For **evaluative judgement** on whether the increase in aggregate supply will have be of overall benefit with **1 mark reserved** for a reasoned conclusion. **(EV: up to 4 marks)**	**12**	Aggregate supply can increase for many reasons such as advances in technology, improved education and training, net immigration, net investment, discovery of new resources and so on. Reference to short and long run is relevant. Benefits include a rise in the standard of living, more leisure time, new products, etc. The possible costs include a rise in unemployment, depletion of resources. An evaluative comment might be that it depends upon the existence or otherwise of a deflationary gap.

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