



Cambridge International AS & A Level

ECONOMICS

9708/21

Paper 2 Data Response and Essay

May/June 2024

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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This document consists of **16** printed pages.

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 descriptions 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.

**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.

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.

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.

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. - The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. - 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. - 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. - The response addresses the general theme of the question and the relevant economic issues, with limited development. - 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. - 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. - The response has little relevance to the question - 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. - 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. - 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. - Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)(i)	Using Table 1.1: Identify the overall trend in Sri Lanka's balance of trade in goods and services between January 2022 and January 2023. The trade deficit has fallen / declined / decreased / reduced (1)	1
1(a)(ii)	Calculate the percentage change in Sri Lanka's balance of trade in goods and services between January 2022 and January 2023. (Deficit has fallen) by 52% (1). Guidance: The answer MUST refer to the trade deficit and the fact that it has fallen for the first mark i.e., not simply improved. Accept answers in the range 51% to 53% for part (ii).	1
1(b)	Explain what is meant by 'Sri Lanka has enjoyed a comparative advantage in growing and exporting tea.' This means that Sri Lanka can grow and export tea at a lower opportunity cost (1) than another country (1). Guidance: Both parts must be clear for full marks.	2
1(c)	Consider the extent to which depreciation of the Sri Lankan rupee could improve the country's balance of trade in goods and services. - For a clear explanation of what is meant by a depreciation (1). - For an explanation that this should lead to a fall in the relative price of exports and a rise in the relative price of imports (1). - And the resulting impact on the level of exports and imports and the impact on the balance of trade (1). Max 3 marks Evaluation This will depend upon the: - PED of exports and imports with suitable explanation (1).	4

Question	Answer	Marks
1(d)	Assess whether the removal of all protectionism is likely to reduce the balance of trade deficit. Up to 4 marks for explanation / analysis: - Possible advantages of retaining/not removing import tariffs e.g., to protect developing and declining industries from foreign competition, preserve levels of employment, prevent dumping etc. (up to 2 marks) - Possible advantages of removing import tariffs e.g., to remove the risk of retaliation, encourage foreign investment, encourage domestic industries etc. (up to 2 marks) Up to 2 marks for evaluation: - That considers advantages of both alternatives to reach a valid conclusion as to whether the removal of all import tariffs is likely to reduce the deficit (reserve 1 mark). Note: Ensure that the analysis is clearly focused on the effect on the trade balance. Accept reference to other forms of protectionism.	6
1(e)	Assess the extent to which supply-side policies will be able to 'lead Sri Lanka back into economic growth'. Up to 4 marks for explanation / analysis: - Possible benefits of using supply-side policies e.g., to create a better trained, educated and healthier workforce that is more productive, an environment more suited to enterprise etc. (up to 2 marks) - Possible drawbacks of using supply-side policies which may include the cost of provision, the time lag involved, the receptiveness of the workforce etc. (up to 2 marks) Up to 2 marks for evaluation: - That fully considers both potential benefits and drawbacks to reach a valid conclusion as to the extent to which supply-side policies will be able to lead Sri Lanka back into economic growth. (reserve 1 mark)	6

Section B

Question	Answer	Marks
EITHER		
2(a)	With the use of examples, explain the difference between public goods and merit goods and consider whether markets will always provide enough of both goods. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. AO1 Knowledge and Understanding (max 3 marks) - For the use of accurate examples of BOTH merit goods and public goods (1). - For clearly explaining the characteristics of public goods i.e., non-rivalry and non-excludable (1). - For clearly explaining the characteristics of merit goods i.e., better than people realise and under consumed / underproduced due to information failure (1). AO2 Analysis (max 3 marks) - A market economy is less likely to produce enough of both goods due to the lack of a profit motive unless heavily subsidised. - A mixed economy may produce enough due to government involvement and the welfare motive but may be constrained by limits on government spending. Note: Analysis should consider at least 2 markets. If only 1 market is analysed, then 2 marks maximum for analysis and 0 for evaluation. AO3 Evaluation (max 2 marks) Offers a valid evaluation of whether enough of both types of good can be produced in at least 2 markets (1) reaching a valid conclusion (1).	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	Assess whether a planned economic system should always switch to a mixed economy. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. Indicative content Responses may include: AO1 Knowledge and understanding and AO2 Analysis - Analysis of both the potential advantages and disadvantages of a planned economic system including the emphasis on welfare and provision of public and merit goods. However, the lack of competition may mean a lack of efficient allocation of goods etc. - Analysis of both the potential advantages and disadvantages of a mixed economy including the fact that it possibly contains the best features of both a planned and a market economy, but this depends on how mixed it actually is. This may also include an assessment of the ease of the switch itself. Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. Level 2 responses may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation - For an evaluation of both the advantages and disadvantages of planned and mixed economies leading to: - A valid conclusion. Accept all valid responses.	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	With the help of a formula, explain what is meant by the income elasticity of demand for a product and consider the extent to which demand for the product will always rise at the same rate as the income of its consumers. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. AO1 Knowledge and Understanding (max 3 marks) For an accurate formula of YED (1). For clear and accurate knowledge and explanation of what is meant by YED (1) including the difference between elastic and inelastic YED (1). AO2 Analysis (max 3 marks) For a clear understanding and explanation that this depends on the coefficient value of YED (1) and analysis of the different outcomes depending on whether the product is normal (positive coefficient) (1) or inferior (negative coefficient) (1). AO3 Evaluation (max 2 marks) For a considered evaluation of the possible outcomes (1) leading to a valid conclusion (1).	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	Assess the extent to which price elasticity of supply or cross elasticity of demand is most useful to businesses. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. Indicative content Responses may include: AO1 Knowledge and understanding and AO2 Analysis • An assessment of the usefulness of PES e.g., it estimates how quickly a business will take to respond to changes in demand, levels of stock it can hold etc., but this is only an estimate and may change. • An assessment of the usefulness of XED e.g., it tells the business whether their product is a substitute (positive XED) or a complement (negative XED) and how close the relationship is and hence its sensitivity to the actions of other businesses, but the speed of change may mean it is quickly out of date. Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. Level 2 responses may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation • For a full evaluation of the usefulness of both measurements compared with each other leading to: • A valid conclusion Accept all valid responses.	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C

Question	Answer	Marks
EITHER		
4(a)	Explain <u>three</u> of the components of aggregate demand and consider the extent to which they may be increased without leading to inflation. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. AO1 Knowledge and Understanding (max 3 marks) For a clear and accurate explanation of three components of aggregate demand i.e., consumer spending, investment, government spending and / or net exports (1 × 3). Note. Q4(b) lists three components of AD so any AO1 marks CANNOT be awarded for simply mentioning a component. AO2 Analysis (max 3 marks) For an analysis that explains that one cause of inflation is a situation where AD rises more than AS (1) but also considers why this may or may not occur e.g., the economy is operating at less than capacity, some of the increase in AD also increases AS etc. (up to 2 marks) Note. If both scenarios are considered, then full marks may be awarded. For one-sided answers, maximum mark of 1. AO3 Evaluation (max 2 marks) For an answer that clearly considers both sides (1) leading to a valid conclusion (1).	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	The Chinese government has re-emphasised its commitment to rebalancing the economy from one focused mainly on investment and exports to one aiming to increase the proportion spent on domestic consumption. Assess the extent to which it would be possible to achieve this by fiscal policy alone. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. Indicative content Responses may include: AO1 Knowledge and understanding and AO2 Analysis - The analysis must focus on the usefulness of using fiscal policy to rebalance the economy in the way suggested. Domestic consumption can be boosted by a number of fiscal policies including policies on taxation and government spending, but the main problem would be achieving this in a sustainable way. - This analysis must be compared with alternative policies including supply-side policies and monetary policies plus fiscal policies with a supply-side content. Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. Level 2 responses may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation - For a full evaluation of more than one type of policy that clearly assesses and compares the potential usefulness of them to rebalance the Chinese economy leading to a valid conclusion. Accept all valid responses.	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	Explain <u>three</u> causes of unemployment and consider which cause is likely to be most damaging to a high-income economy. Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. AO1 Knowledge and Understanding (max 3 marks) For a clear and accurate explanation of three causes of unemployment from frictional, structural, cyclical (demand deficient), seasonal or technological (3×1). AO2 Analysis (max 3 marks) Each cause identified must be analysed, and judgements made about how damaging it might be for a high-income economy (3×1). For example, points to consider may include: • Frictional unemployment may be dependent on information provision. • Structural unemployment may be permanent and difficult to solve. • Cyclical unemployment depends on the economic cycle. • Seasonal depends on alternative sources of employment. • Technological depends on occupational or geographical immobility of labour. AO3 Evaluation (max 2 marks) For an answer that clearly assesses how damaging each cause may be to a high-income developed economy in comparison with each other (1) that leads to a justified conclusion as to which may be the most damaging (1).	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	Assess which expansionary macroeconomic policy would be most likely to enable a government to meet its economic objective of a low rate of unemployment. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. Indicative content Responses may include: AO1 Knowledge and understanding and AO2 Analysis - The analysis must focus on the advantages and disadvantages of using at least two expansionary macroeconomic policies to keep unemployment low. For example, one policy might be an expansionary supply-side policy with an emphasis on training and education which would allow people to be more employable, e.g., by having more relevant skills but it may be time-consuming and costly. - This chosen policy must then be contrasted with an alternative policy / policies. For example, expansionary monetary policy may be suggested with the use of low interest rates to encourage investment and boost employment, but the investment may be directed towards more capital-intensive production. Note. The focus of the question must be on how a low rate of unemployment may be achieved. Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. Level 2 responses may contain some inaccuracies and will be one sided. Analysis will be explained at least in part and will be largely relevant to the question. Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. AO3 Evaluation: - That clearly compares the likely success of at least two expansionary macroeconomic policies that leads to: - A valid conclusion as to which policy would be most likely to meet the economic objective of a low rate of unemployment. - Accept all valid responses.	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4