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CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 AS Level Data Response and Essays **October/November 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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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.

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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.
- Semicolons (;) 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.

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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. • 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

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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

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Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Use a demand and supply diagram to show why there was a 'huge' increase in the price of Arabica coffee beans in 2021.** • Supply and demand diagram with correct axes and showing shift to the left of the supply curve **(1).** • New equilibrium price and quantity **(1).** **Guidance:** No explanation is required.	**2**
1(b)	**Is the price elasticity of supply of coffee beans likely to be elastic or inelastic in any one year? Justify your answer from the information provided.** Inelastic **(1)** (accept perfectly inelastic) Reference to any one of the climatic problems referred to in the text such as drought and frosts in Brazil or storms in Vietnam meaning that supply is volatile/unpredictable. The candidate may refer to the nature of agricultural goods meaning that you cannot simply grow additional output. The explanation must refer to how it affects the responsiveness of supply **(1).**	**2**
1(c)	**Consider whether a buffer stock scheme is likely to be successful in reducing the price fluctuations shown in Fig. 1.1.** Buffer stocks schemes occur when governments buy and sell coffee beans to stabilise prices **(1).** Governments will supply surplus stocks of coffee beans in the event of a poor yield to minimise excessive price rises **(1)** and buy excess supplies of coffee beans when yields are sufficiently high enough to cause significant price reductions. **(1)** **For valid evaluation** • For example: If the coffee beans cannot be stored in a way that maintains its quality, it may not be sold at the intended market price **(1).** • Other relevant factors include the government's budget/ability to finance the scheme.	**4**

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Question	Answer	Marks
1(d)	**Assess the extent to which coffee bean producers will gain from the huge increase in coffee bean prices in 2021.** **Up to 3 marks for explanation/analysis of the gains to coffee bean producers:** • If the demand for coffee is price inelastic in demand, then coffee producers would be expected to gain (in terms of increased revenue). • For example, increased revenue per lb. of coffee sold; increased funds available to invest and innovate in better methods of storing coffee beans in the event of future storms. • Producers in Brazil and Vietnam and with existing stocks of coffee that survived the frost and storms would expect to increase their own sales at the expense of those rivals unable to produce a large enough yield of coffee. • Similarly, producers in countries not affected by climatic problems should benefit from increased sales and revenue. **Up to 3 marks for explanation/analysis of the extent to which coffee bean producers will not gain:** • If the demand for coffee is price elastic in demand, then coffee producers would not be expected to gain (in terms of reduced revenue). • For example, those producers unable to produce a sufficiently large enough yield may make losses which may ultimately result in business closures. • Similarly, depending on the strength of the XED, total revenue may fall if the huge price increase in 2021 results in sufficient numbers of consumers switching their preferences to substitute goods e.g. tea. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Up to 2 marks for evaluation:** • That clearly considers whether or not coffee bean producers will gain from the huge increase in coffee bean prices in 2021. • Comes to a reasoned conclusion as to whether advantages outweigh disadvantages or vice versa (reserve 1 mark) **Note:** No mark for eval can be awarded if only one perspective considered.	**6**

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Question	Answer	Marks
1(e)	**Assess the likely impact of the fluctuations in coffee bean prices on the economies of major producers such as Brazil and Vietnam.** **Up to 3 marks for explanation/analysis of potential benefits to economies of major producers:** • Rising coffee prices will result in higher taxes paid to governments which can be used to finance other internal projects – e.g. improvements to education and development of infrastructure and reduce a country's reliance on coffee bean production. • This would not only lead to increased economic growth in the short term but also increase the potential for long run increased productive capacity through a more diversified economy. **Up to 3 marks for explanation/analysis of potential costs to economies of major producers:** • Unpredictability of coffee bean prices may reduce business confidence with producers preferring to save the higher revenues to cross-subsidise those time periods where prices have fallen. • Therefore, increases in investment may be minimal and have an overall smaller contribution to economic growth. Time periods where coffee bean prices are low may result in business closures and lead to rises in unemployment within the industry and the wider economy. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Up to 2 marks for evaluation:** • That clearly considers **both** potential advantages **and** disadvantages of fluctuating coffee bean prices on the economies of major producers. For example, the relevance of the long-term nature of climate change **(1).** • Comes to a reasoned conclusion as to whether advantages outweigh disadvantages or vice versa **(1).** **Note:** No mark for eval can be awarded if only advantages or disadvantages are considered.	**6**

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Question	Answer	Marks
EITHER		
2(a)	**With the aid of examples, explain the characteristics of public goods and free goods <u>and</u> consider whether free-of-charge vaccinations offered by a government should be classified as a free good.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Free goods are not scarce and have zero opportunity cost / no prices as no factors of production are required to produce them **(1).** • Public goods have two main characteristics of non-excludability and non-rivalry with a brief explanation of both terms **(1).** • Provide accurate examples of both e.g., fresh air and street lighting respectively **(1).** **AO2 Analysis (max 3 marks)** • For example, the vaccine is free at the point of use to the consumer **(1)**. However, there is a cost to the taxpayer **(1).** This means that there is an opportunity cost to the government as providing the vaccine involves the use of scarce resources **(1).** Alternative approach: • If governments provide free-of-charge vaccinations, then there is no price charged to the consumer **(1)**. This means consumers do not need to use their own their own scarce resources to be vaccinated **(1)** which means there is no opportunity cost to them because they do not need to make a choice between 'consuming' the vaccine and reducing their consumption of other goods and services **(1).** **AO3 Evaluation (max 2 marks)** • Up to 2 marks for evaluating whether or not free-to-charge vaccinations offered by a government can be considered a free good. For example, there is an opportunity cost to the government as the money spent on buying the vaccine might have been used for spending on another priority e.g. education.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether the expected benefits of providing healthcare services free-of-charge at the point of use exceed the likely costs.** 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** Potential benefits of providing healthcare services free-of-charge at the point of use include: • It addresses concerns on affordability/inequality to access health care, insurance and information gaps e.g. preventative earlier treatments for elderly and children. • It may also avoid a potential loss of output resulting from worker absenteeism. It increases the likelihood of resources being prioritised to patient need as opposed to profit. Potential disadvantages from providing healthcare services free-of-charge at the point of use include: • Demand may exceed supply which may result in increased costs to governments. • Charging consumers will reduce on wastage in terms of 'missed' medical appointments; potential for health inequality resulting in income inequality. • Private firms may be more efficient in providing the healthcare services required in the quantities and regions required. The opportunity cost to the government in terms of reduced spending on roads etc. **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 may 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.	**12**

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Question	Answer	Marks
2(b)	**AO3 Evaluation** • Requires an assessment of whether or not the expected benefits of providing healthcare free of charge at the point of use exceed the likely costs which leads to • A justified conclusion which may include alternative approaches including a mixture of free and chargeable healthcare. **Note:** A one-sided response cannot gain any marks for evaluation.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**Explain <u>two</u> economic reasons for inequality in the distribution of income <u>and</u> wealth and consider why inequality in the distribution of wealth cannot easily be measured.** 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, AND up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • An explanation of how inequality of income and wealth means an uneven distribution of income and wealth among a population **(1).** • An explanation of **two** reasons for income and wealth inequality. – For example: Poor education and training results in the individual gaining fewer/less marketable skills that prevents them from applying for jobs with higher salaries **(1).** – Low rates of saving which makes it increasingly difficult to buy property. Wealth inequality widens as rising property prices not only make it more difficult to purchase a property, but benefits those who are already property owners **(1).** **AO2 Analysis (max 3 marks)** Points to consider may include (other difficulties may be considered): • Wealth is comprised from many sources housing assets, savings, financial instruments, pensions, and different countries have different ways of measuring it **(1)**. • Some wealth may not be included in any calculation should wealthy individuals legally use tax havens to reduce the value of their wealth **(1)**. • Ownership of wealth may be transferred to family members to reduce the value of personal wealth value **(1)**. **AO3 Evaluation (max 2 marks)** • For a balanced evaluation of whether wealth inequality cannot always easily be measured (1), leading to a justified conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess which policies are likely to be most effective in redistributing income.** 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** Polices may include: • Use of policies to redistribute income. For example, the introduction of a minimum wage (or increase an existing minimum wage) will increase the wage of the lowest earners and reduce the difference between the highest and lowest earners. • Problems of minimum wages include the possibility of increasing cost-push inflation, higher rates of unemployment and that in some countries only a small proportion of the population are in receipt of the minimum wage. • Alternative policies that may be considered include progressive tax systems – by increasing the number of tax brackets or increasing the higher tax rates will reduce the post-tax income of higher earners and reduce the difference between the highest and lowest earners. • Problems of the alternative policy – for example, increased incentives for individuals to seek ways to legally avoid the higher tax rates. Increased administrative costs associated with implementing new systems for income assessment and tax collection. **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 may 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** • Requires an assessment of at least **two** policies to be compared against each other which leads to • A justified conclusion as to which policy (or combination) is most likely to be most effective in redistributing income. Accept all valid responses. **Note:** A one-sided response cannot gain any marks for evaluation.	**12**

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Question	Answer	Marks
3(b)	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	**In 2021, year-on-year inflation in many economies increased to a level not experienced for fifty years.** **With the help of a diagram, explain what is meant by cost-push inflation and consider whether this type of inflation has affected your own economy since 2021.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • An explanation of cost-push inflation – when the price level rises due to higher costs of production and raw materials **(1).** • An accurate aggregate and aggregate supply diagram showing a shift to the left of the short run AS curve **(1).** • This results in a rise in the price level and a contraction/movement along the aggregate demand (AD) curve **(1).** **AO2 Analysis (max 3 marks)** Points to consider: • For example, an increase in wages/salaries increases the firm's costs of production **(1).** Firms will look to pass these additional costs onto its customers which increase the price of all goods and services **(1).** • Increased import prices (due to a depreciation of the domestic currency) **(1)** will increase the costs of production to firms that are reliant on other countries to produce raw materials/price inelastic demand for imports **(1).** **AO3 Evaluation (max 2 marks)** • Evaluation should explain the extent to which inflation in the named economy is the result of cost-push factors as opposed to demand pull causes **(1)**, leading to a justified conclusion **(1).** **N.B:** if the evaluation is not in the context of a named economy, then no evaluation marks can be awarded.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**Assess whether the potential benefits of an increasing rate of inflation outweigh the potential costs for an 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** Potential benefits of an increasing rate of inflation include: • It stimulates output – a low and stable inflation rate caused by existing demand may make firms feel more optimistic about the future and encourage them to invest to expand their business. • A possible reduction in the burden of debt. If inflation is rising faster than the nominal rate of interest on previous borrowing then real interest rates become negative which may stimulate consumer expenditure which, in turn, could lead to higher output and employment. Potential costs of an increasing rate of inflation include: • A reduction in net exports as rising inflation rates may reduce the international competitiveness of a country resulting in reduced export revenue and increased import expenditure. • Fiscal drag – if tax rates are not increased in line with inflation, then people are 'dragged' (pulled) into higher tax brackets. As such, lower proportions of any increase in incomes are enjoyed by the taxpayer. **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** Requires an assessment of the benefits and costs of increasing rate of inflation (which may refer to specific groups) which leads to a justified conclusion as to which the benefits outweigh the potential costs. Accept all valid responses. **N.B:** A one-sided response cannot gain any marks for evaluation.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
5(a)	**Explain two methods of protection in international trade and consider which of these is likely to have the bigger impact on employment and output in the economy which imposes them.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • Protectionism is when governments attempt to protect domestic businesses against foreign competition **(1)**. • Explanation of two methods of protection – e.g., tariffs, import quotas, export subsidies, embargoes, excessive administrative burdens (‘red tape’) and how each method distorts the free market/supports domestic production **(1+1)**. **AO2 Analysis (max 3 marks overall)** Points to consider: • An explanation of how each method affects domestic employment **(1+1).** For example, tariffs increase import prices and encourage expenditure switching to domestic production. This increases the level of employment as more workers are recruited to meet the additional output. • However, if the demand for imports is price inelastic in demand, then the reduction in imports may be less **(1),** therefore domestic output (and employment) may not rise as much as when compared to import quotas **(1)**. **AO3 Evaluation (max 2 marks)** • Evaluation should consider which method is likely to have the biggest impact on employment **(1),** leading to a justified conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess whether protectionism is always the best way of reducing a deficit on the current account of the balance of payments.** 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** Protectionism: • Advantages of protectionism – for example, tariffs can reduce the value of imports in the short term as infant industries grow and gain the economies of scale to enable them to be internationally price competitive. This reduction in foreign dependency will reduce the value of imports which (ceteris paribus) reduce a deficit on the current account. • Problems of protectionism includes – the ability to reduce the value of imports will be influenced by the price elasticity of demand for imports. Moreover, the possibility of retaliation thereby reducing the value of exports. This may not only limit any reduction in the current account deficit but may hinder a government's ability to achieve other macroeconomic objectives – e.g., reducing the level of unemployment or possibility of increasing cost-push inflation. • Alternative policies that may be considered include contractionary monetary policy – higher interest rates will increase the cost of debt and mortgage repayments and leave people with less money to spend. Therefore, this will reduce their consumption of imports, improving the current account. • Problems of the alternative policy – for example, an increase in interest rates will tend to cause hot money flows and therefore an appreciation in the exchange rate. This appreciation makes exports less competitive, and imports more attractive. Assuming demand is relatively elastic, this appreciation will worsen the current account. **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 may 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** • Requires an assessment of the protectionism and at least one other policy in reducing a current account deficit which leads to	**12**

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Question	Answer	Marks
5(b)	A justified conclusion as to which policy may be best way to reduce economic growth or whether a combination of policies might be more appropriate. Accept all valid responses. **Note:** A one-sided response cannot gain any marks for evaluation.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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