Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **March 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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the March 2018 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is a registered trademark.

© UCLES 2018

Cambridge Assessment International Education

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.

© UCLES 2018

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.

Question	Answer	Marks	Guidance
1(a)	For an accurate diagram that is correctly labelled with appropriate axes and the PPC touching both axes. **(1 mark)** Shows an appropriate change: a shift to the left as the productive potential of the economy falls or a movement to a point further within the curve as more unemployment occurs. **(1 mark)**	2	**The diagram can show either a shift inwards in the PPC as the economic growth is negative and the productive potential changes or a movement to a point further inside the curve as unemployment increases.**
1(b)	For identification that the fall in export earnings as a result of the fall in the price of oil implies that the price elasticity of demand of oil is inelastic. **(1 mark)** For a clear explanation that this will result because the fall in the price of oil will have resulted in a smaller % change in quantity relative to the % change in price. **(1 mark)**	2	**If a fall in the price of oil leads to a fall in export earnings this means that the price elasticity of demand is inelastic because a fall in price has resulted in a lower percentage rise in sales.**
1(c)	For an accurately labelled diagram **(1 mark)** Diagram shows a maximum price placed below equilibrium **(1 mark)** For an identification of the excess demand **(1 mark)** For a brief accompanying explanation of how the shortage has arisen **(1 mark)**	4	**Maximum prices placed below equilibrium will mean that an excess demand for basic foodstuffs. This will result in shortages in the shops.**
1(d)	For an explanation of the creation of demand-pull inflation with due reference to the increase in the money supply related in the data. **(Up to 3 marks)** For an explanation of the creation of cost-push inflation with due reference to the collapse of the bolivar related in the data. **(Up to 3 marks)**	6	**The data makes it clear that there has been an increase in the money supply as the Venezuelan government printed money to maintain it's spending. This will create demand-pull inflation. The data also makes it clear that the collapse of the bolivar has increased the costs of imported products. As a result this will create cost-push inflation. (It may also increase demand-pull inflation as exports become cheaper and X-M increases)**

Question	Answer	Marks	Guidance
1(e)	For an explanation of how any function of money will be affected by the high rate of inflation **(Up to 2 marks per function explained)** **5 marks maximum for explanations (reserve 1)** A reasoned conclusion on whether **all** the functions of money will be affected. **(1 mark)**	**6**	**A <u>list of functions</u> with no discussion of how these might be affected by inflation scores <u>maximum 1 mark</u>** **The high and increasing rate of inflation will undermine the bolivar's ability to perform its functions as money. Candidates need to identify the functions of money and then explain how these will be affected by the high rate of inflation. Whether they will all be affected depends upon the rate at which inflation rises. Candidates need to recognise this and there should be a concluding comment on whether all the functions of money will be affected.**
2(a)	**AO1: knowledge and understanding** illustrated with a correctly labelled diagram with a concave PPC **(Up to 2 marks)** For an explanation of the choice and opportunity cost facing governments in deciding which goods and services to produce in their economy **(Up to 2 marks)** **AO1: maximum 4 marks** **AO2: application** recognising that the opportunity cost increases as resources shift from the production of one type of good to another **(1 mark)** Explanation of why costs increase as the combination of goods produced changes with due reference to the suitability of resources. **(Up to 3 marks)** **AO2: maximum 4 marks**	**8**	**Opportunity cost is the cost in terms of the next best alternative foregone. Governments face opportunity cost when they have to decide what to produce. This can be expressed using ppc diagrams. For example, the opportunity cost of government spending on health is the spending on defence that has to be foregone. As resources are shifted from the production of one good to another the cost increases. The sacrifice becomes greater as less appropriate resources are used to produce alternative goods and services.**

Question	Answer	Marks	Guidance
2(b)	**AO3: analysis** of the advantages and disadvantages that arise when resources are allocated through central planning. **(Up to 4 marks)** **Analysis** of advantages and disadvantages that arise when resources are allocated through the free market. **(Up to 4 marks)** **AO3: maximum 8 marks** For **evaluation** of the strengths and weaknesses of the two systems **(Up to 3 marks)** Conclusion on which system is most effective. **(1 mark)** **AO4: maximum 4 marks**	**12**	**In a planned economy national, regional and local planning committees undertake decision-making. Decision-making in this system lacks signals transmitted through the price mechanism to express consumer wants.** **In a free market economy the factor enterprise allocates resources in response to signals from consumers through the price mechanism.**
3(a)	**AO1: knowledge and understanding** showing an accurate formula to measure price elasticity of supply **(1 mark)** For a clear and accurate understanding of **either** elastic supply **or** inelastic supply **(1 mark)** AO1 and AO2: **knowledge and understanding** and **application** providing explanation of two factors that influence the price elasticity of supply. **(Up to 3 marks per factor explained)** **Maximum 8 marks**	**8**	**Candidates need to understand the concept of price elasticity of supply and the factors that influence it such as the availability of factors of production, the nature of the product and the time period under consideration.**
3(b)	**AO3: analysis** explaining how supply–side policies could improve the stock of capital goods. **(Up to 4 marks)** **Analysis** explaining how supply–side policies could improve the supply of labour. **(Up to 4 marks)** **AO3: maximum 8 marks** For **evaluative comment** considering whether these policies would be effective in both cases **(Up to 3 marks)** Conclusion (**1 mark)** **AO4: maximum 4 marks**	**12**	**Supply side policy attempts to increase aggregate supply in an economy. This can be achieved in a number of ways. For e.g. improving incentives through tax cut, subsidising capital formation and increasing the provision of education in an economy. Candidates need a firm grasp of the appropriate policy for increased capital formation and increases in the supply and quality of labour.**

© UCLES 2018

Question	Answer	Marks	Guidance
4(a)	**AO1: knowledge and understanding** showing an accurate formula that measures the terms of trade **(1 mark)** For a clear understanding of any change in export prices and/or import prices that would represent a rise in the terms of trade **(1 mark)** **AO1 and AO2 knowledge and understanding and application** showing why a change in an economy's exchange rate **might** lead to a rise in an economy's terms of trade. • the exchange rate rises **(1 mark)** • export prices rise, import prices fall and this is expected to lead to a rise in that economy's terms of trade **(1 mark)** • whether the terms of trade does rise depends upon whether there are other factors to offset the effect of the rise in this exchange rate (one example required e.g. a higher rate of inflation in other countries) **(1 mark)** For **knowledge and understanding and application** showing why a change in an economy's domestic price level **might** lead to a rise in an economy's terms of trade. • the price level rises **(1 mark)** • the price of exports rises and this is expected to lead to a rise in that economy's terms of trade **(1 mark)** • whether the terms of trade does rise depends upon whether other factors offset the effect of the rise in that economy's domestic price level (one example required e.g. a fall in the country's exchange rate) **(1 mark)** **Maximum 8 marks**	8	**Candidates need a good knowledge of the terms of trade and be able to explain why a rise in an economy's terms of trade might result from a change in an economy's exchange rate and it's inflation rate. A key word in the question is 'might' so one mark is reserved for identifying a reason why the changes might not lead to a rise in the terms of trade.**

Question	Answer	Marks	Guidance
4(b)	**AO3: analysis** of the positive effects of the rise in the terms of trade. **(Up to 4 marks)** **Analysis** of the negative effects of the rise in the terms of trade. **(Up to 4 marks)** **AO3: maximum 8 marks** For evaluative comment on the overall benefit aspect of the rise. **(Up to 3 marks)** Conclusion **(1 mark)** **AO4: maximum 4 marks**	12	**A rise in the terms of trade might have several benefits but there will also be negative effects. The rise will mean that more imports can be purchased per unit of exports. The negative effects include the decline in the international competitiveness of goods produced by the country and the possibility of a current account deficit.**

© UCLES 2018