

# Cambridge International AS & A Level

---

**ECONOMICS****9708/23**

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.

Cambridge International is publishing the mark schemes for the May/June 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

---

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 |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>3</b> | <ul style="list-style-type: none"> <li>A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate.</li> <li>The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations.</li> <li>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.</li> <li>Responses are well-organised, well-focused and presented in a logical and coherent manner.</li> </ul> | 6–8   |
| <b>2</b> | <ul style="list-style-type: none"> <li>Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies.</li> <li>The response addresses the general theme of the question and the relevant economic issues, with limited development.</li> <li>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.</li> <li>Responses are generally logical and coherent but are sometimes lacking in focus or organisation.</li> </ul>                                               | 3–5   |
| <b>1</b> | <ul style="list-style-type: none"> <li>A small number of relevant knowledge points are included and the response is limited by significant errors or omissions.</li> <li>The response has little relevance to the question.</li> <li>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.</li> <li>Responses show limited organisation of economic ideas.</li> </ul>                                                                                                                                                                                                                                       | 1–2   |
| <b>0</b> | 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 |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>2</b> | <ul style="list-style-type: none"> <li>Provides a justified conclusion or judgement that addresses the specific requirements of the question.</li> <li>Makes developed, reasoned and well-supported evaluative comment(s).</li> </ul> | 3–4   |
| <b>1</b> | <ul style="list-style-type: none"> <li>Provides a vague or general conclusion or judgement in relation to the question.</li> <li>Makes simple evaluative comment(s) with no development and little supporting evidence.</li> </ul>    | 1–2   |
| <b>0</b> | 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)                                                                    | <p><b>Use the information provided to calculate the real interest rate for Turkey in January 2022.</b></p> <ul style="list-style-type: none"> <li>For a correct answer of -34.7% <b>(2)</b></li> <li>For an answer of 34.7% without the minus sign <b>(1) OR</b></li> <li>For the correct formula with an incorrect calculation <b>OR</b> no calculation <b>(1)</b></li> </ul> <p><b>Guidance:</b> The case study gives the annual year on year increase in consumer prices (48.7%) and the interest rate of (14%). The real interest rate is negative and is the difference between the two, namely <b>34.7%</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>2</b> |
| 1(b)(i)                                                                 | <p><b>Explain why the Turkish lira depreciated from September 2021.</b></p> <p><b>For an identification</b> of a likely reason. These may include a fall in the short-term interest rate from 19% to 14%, an increase in the rate inflation from 36.1% to 48.7%, low producer and consumer confidence, a fear of a collapse in the banking system <b>(1)</b></p> <p><b>For an explanation</b> as to how this leads to a depreciation of the lira i.e., these reasons will lead to a fall in demand for the lira (in the forex market) leading to a fall in its value <b>(1)</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>2</b> |
| 1(b)(ii)                                                                | <p><b>Consider the extent to which producers in Turkey are likely to have been affected by the depreciation of the lira on the foreign exchange market from September 2021.</b></p> <p><b>Up to 3 marks</b> for an explanation of how producers in Turkey may have been affected by the depreciation of the lira. e.g., the price of imported raw materials will rise <b>(1)</b> which will lead to an increase in the cost of production <b>(1)</b> which will lead to reduced price competitiveness for Turkish producers leading to lowered demand <b>(1)</b></p> <p><b>Other points to consider include e.g.:</b></p> <ul style="list-style-type: none"> <li>It may reduce the incentive for domestic producers to invest <b>(1)</b> because of uncertainty <b>(1)</b> leading to further reductions in competitiveness <b>(1)</b></li> <li>Because of the fall in the perceived price of exports <b>(1)</b> this will increase price competitiveness <b>(1)</b> and lead to an increase in demand <b>(1)</b></li> </ul> <p><b>For valid evaluation of the extent of the effect (1 mark).</b> E.g., it will depend upon the reliance of imported raw materials.</p> <p><b>Please use a text box to show the mark split e.g., 2,1</b></p> | <b>4</b> |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Marks |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1(c)     | <p><b>Assess whether Mr Erdoğan's economic policies have had a beneficial impact on Turkey's economy since 2020.</b></p> <p><b>Up to 2 marks for explanation / analysis of the possible positive effects</b> e.g., short term interest rates have fallen, and this may lead to further investment, the year on year % CPI has flattened by the end of 2022 which may increase consumer confidence.</p> <p><b>Up to 2 marks for explanation / analysis of the possible negative effects</b> e.g., food prices, transport and energy costs have increased, and these affect all consumers, the lira has collapsed in the foreign exchange market, increasing import prices etc.</p> <p><b>Up to 2 marks for evaluation</b> of the relative positive and negative effects. <b>Reserve 1 mark</b> for a justified conclusion.</p> <p><b>Please use a text box to show the mark split e.g., 2 2 1</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 6     |
| 1(d)     | <p><b>Excluding interest rate changes, assess what alternative policies might be used to reduce Turkey's rate of inflation.</b></p> <p><b>Up to 2 marks for explanation / analysis of the possible effect of one alternative policy</b> e.g., a reduction in money supply or tighter restrictions on credit i.e., additional monetary policy. These may successfully reduce AD due to less money being available for C or I but may reduce economic growth. <b>(1 mark for an explained advantage and 1 mark for an explained disadvantage)</b></p> <p><b>Up to 2 marks for explanation / analysis of the possible effect of a second alternative policy</b> e.g., fiscal policy to increase taxation or reduced government spending. This may reduce AD as it has a direct effect of reducing C and I but it may reduce e.g., the incentive to work as taxation increases. <b>(1 mark for an explained advantage and 1 mark for an explained disadvantage)</b></p> <p><b>Up to 2 marks for evaluation</b> that clearly assesses the likely advantages and disadvantages of these policies in comparison with each other / against interest rate changes. <b>Reserve 1 mark</b> for a valid conclusion.</p> <p><b>Guidance:</b><br/>Other possibilities include:</p> <ul style="list-style-type: none"> <li>• Use of supply side policy</li> </ul> <p><b>Please use a text box to show the mark split e.g., 2 2 1</b></p> | 6     |

## Section B Microeconomics essay

| Question      | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>EITHER</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |       |
| 2(a)          | <p><b>From 2030, the only new car production allowed in the United Kingdom (UK) will be for electric cars.</b></p> <p><b>Excluding the price of electric cars, explain the determinants of demand for electric cars <u>and</u> consider which of these determinants is likely to be of greatest significance at the present time.</b></p> <p>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.</p> <p><b>AO1 Knowledge and Understanding (max 3 marks)</b><br/> Knowledge and understanding of income, price and availability of substitutes and fashion, taste and attitudes.</p> <p><b>For an explanation</b> of what is meant by the role of income, price and availability of substitutes, complements, fashion, taste, and attitudes as determinants of demand. <b>(1x3)</b></p> <p><b>AO2 Analysis (max 3 marks)</b></p> <p><b>For analysis</b> of the significance at the present time of <b>at least 2</b> of these determinants. e.g., attitudes may have a great significance because of an increased awareness of the impact on the environment. e.g., income may have a great significance if economies are in recession. e.g., if petrol prices rise leading to a fall in demand for petrol-driven cars then the demand for electric cars may rise.</p> <p><b>Up to 2 marks for any developed point.</b></p> <p><b>AO3 Evaluation (max 2 marks)</b><br/> For a clear consideration which of the determinants is likely to be the most significant <b>at the present time. Reserve 1 mark for a justified conclusion.</b></p> <p><b>Please use a text box to show the mark split e.g., 3 2 1</b></p> | 8     |
|               | AO1 Knowledge and understanding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 3     |
|               | AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 3     |
|               | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2     |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 2(b)     | <p><b>Assess whether cross elasticity of demand is likely to be more important in determining the demand for electric cars than income elasticity of demand .</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>• Explanation of what is meant by cross elasticity of demand.</li> <li>• The significance of the price and availability of substitute models of both petrol and electric cars and their complements e.g., petrol and charging points etc.</li> <li>• The weaknesses of the concept.</li> <li>• Explanation of what is meant by income elasticity of demand.</li> <li>• The significance of income in the decision to purchase an electric car including the relationship of changes in income to changes in demand.</li> <li>• The weaknesses of the concept.</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.</p> <p><b>Level 2 responses</b> 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.</p> <p><b>Level 3 responses</b> 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.</p> <p><b>AO3 Evaluation</b></p> <p>That clearly assesses the extent to which cross elasticity of demand is likely to be more important than income elasticity of demand in determining the demand for electric cars by comparing the significance and weaknesses of both concepts and reaches a justified conclusion.</p> <p><b>A one-sided response cannot gain any marks for evaluation.<br/>Please use a text box to show the mark split e.g., L2 5 L1 2</b></p> | 12    |
|          | AO1 Knowledge and Understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 8     |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 4     |

| Question  | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Marks |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>OR</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |       |
| 3(a)      | <p><b>Use a production possibility curve (PPC) diagram to explain how a government in a mixed economy might allocate more resources to consumption and less resources to investment <u>and</u> consider a limitation of this approach to resource allocation.</b></p> <p>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.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <ul style="list-style-type: none"> <li>For a fully accurate diagram that is clearly labeled as consumer goods and capital goods with the curve touching both axes. <b>(1)</b></li> <li>The diagram must show the movement from capital goods to consumer goods e.g., by means of an arrow <b>(1)</b></li> <li>Accompanied by an explanation that this is a movement along the curve (rather than a shift). <b>(1)</b></li> </ul> <p><b>AO2 Analysis (max 3 marks)</b></p> <p>Of how a government might allocate more resources to consumption and less to investment e.g.:</p> <ul style="list-style-type: none"> <li>By reducing taxes on income / consumer expenditure. <b>(1)</b></li> <li>By increasing government expenditure to provide subsidies for consumers. <b>(1)</b></li> <li>By reducing government support to businesses for investment. <b>(1)</b></li> </ul> <p><b>(Maximum of 2 marks overall)</b></p> <ul style="list-style-type: none"> <li><b>PLUS 1 mark if shown on a diagram as either a movement along the curve or shift within the curve that is clearly explained.</b></li> </ul> <p><b>AO3 Evaluation (max 2 marks)</b></p> <p>For a clear assessment of the limitations of this approach including an assessment of time lags, the possible response of businesses and consumers etc. <b>Reserve 1 mark for a justified conclusion</b></p> <p><b>Please use a text box to show the mark split e.g., 3 2 1</b></p> | 8     |
|           | AO1 Knowledge and understanding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 3     |
|           | AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 3     |
|           | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2     |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Marks |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 3(b)     | <p><b>Assess whether producers are the only ones to benefit when an economy decides to allocate additional resources to investment.</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>For an explanation / analysis of the benefits and costs to a producer e.g., producers will benefit as additional investment is likely to reduce costs of production, make them more price competitive both domestically and internationally, increase their profits etc. Costs may include the fact that taxes may have to rise to fund the additional investment, much of the growth will be international so businesses who focus on the domestic market may not benefit.</li> <li>For an explanation/ analysis of the benefits and costs to the consumer e.g., in the long term this may lead to wider choice and lower prices but in the short term, taxes may increase to fund the additional investment, there may be fewer goods available to consumers and higher prices.</li> <li>For an explanation/ analysis of the benefits and costs to a government e.g., an increase in tax revenue in the long-term but an increase in expenditure in the short-term.</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.</p> <p><b>Level 2 responses</b> 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.</p> <p><b>Level 3 responses</b> 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</p> <p><b>AO3 Evaluation</b><br/>For an assessment of whether producers are the only ones to benefit from additional investment compared to consumers and the government which may depend on the level of development of economy and extent of government involvement.</p> <p>Accept all valid responses.<br/><b>A one-sided response cannot gain any marks for evaluation.</b><br/><b>Please use a text box to show the mark split e.g., L2 5 L1 2</b></p> | 12    |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 8     |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 4     |

## Section C Macroeconomics essay

| Question      | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Marks |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>EITHER</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |       |
| 4(a)          | <p><b>With the help of a diagram, explain how increases in aggregate demand affect the level of real output and the price level in an economy <u>and</u> consider when such increases may become a problem.</b></p> <p>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.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <ul style="list-style-type: none"> <li>• An understanding of the components of AD i.e., <math>C+G+I+X-M</math>. <b>(1)</b></li> <li>• An accurately labeled AD/AS diagram showing the initial equilibrium point. <b>(1)</b></li> <li>• That also shows a shift or shifts to the right of the AD curve and the subsequent changes in the price level and real GDP. <b>(1)</b></li> </ul> <p><b>AO2 Analysis (max 3 marks)</b></p> <ul style="list-style-type: none"> <li>• For an explanation of why AD might increase. <b>(1)</b></li> <li>• For an explanation of why this increase may not cause problems such as inflation e.g., because of the shape of the AS curve, because AS may increase in line with AD if the increase is due to an increase in <math>I</math>. <b>(1)</b></li> <li>• For an explanation of why it may cause problems e.g., the economy is at full capacity and AS cannot increase. <b>(1)</b></li> </ul> <p><b>AO3 Evaluation (max 2 marks)</b><br/>For valid evaluation e.g., a recognition that increases in AD may result in an inflationary increase in the price level beyond the full employment level of output. <b>Reserve 1 mark for a justified conclusion.</b></p> <p><b>Please use a text box to show the mark split e.g., 3 2 1</b></p> | 8     |
|               | AO1 Knowledge and understanding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 3     |
|               | AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 3     |
|               | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2     |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Marks |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 4(b)     | <p><b>Assess whether increases in aggregate demand are the best way of reducing unemployment in a high-income country.</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br/>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>An understanding of what is meant by unemployment and the main types in a high-income economy.</li> <li>For a recognition that increases in aggregate demand arise normally from fiscal and / or monetary policy.</li> <li>An analysis of how policies to increase AD e.g., by reducing taxes, increasing government spending, reducing interest rates etc., may reduce cyclical unemployment <b>but</b> may not reduce structural unemployment.</li> <li>An analysis of how <b>supply side</b> policy <b>may</b> reduce unemployment by influencing AS e.g., through training and education, deregulation etc., but has limitations e.g., it is a long-term approach and may be costly and does not address the issue of falls in AD responsible for cyclical unemployment</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.</p> <p><b>Level 2 responses</b> 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.</p> <p><b>Level 3 responses</b> 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.</p> <p><b>L2 max if no reference to high-income countries</b></p> <p><b>AO3 Evaluation</b><br/>For a clear assessment as to whether increases in AD compared with increases in AS are the best way to reduce unemployment in a high-income economy leading to a justified conclusion.</p> <p><b>N.B. if no reference to a high-income country, no evaluation marks may be awarded</b></p> <p>Accept all valid responses.</p> <p><b>A one-sided response cannot gain any marks for evaluation.<br/>Please use a text box to show the mark split e.g., L2 5 L1 2</b></p> | 12    |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 8     |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4     |

| Question  | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Marks |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>OR</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |       |
| 5(a)      | <p><b>Explain <u>two</u> possible causes of a change in the terms of trade in an economy <u>and</u> consider which of these causes is likely to be more important for low-income countries.</b></p> <p>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.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <ul style="list-style-type: none"> <li>Explanation of what is meant by the terms of trade i.e., the ratio of export price index to the import price index. <b>(1)</b></li> <li>It measures the number of exports that have to be sold to buy a given number of imports. <b>(1)</b></li> <li>Terms of trade are <b>said to improve</b> when the ratio increases <b>and / or</b> to deteriorate when the ratio falls. <b>(1)</b></li> </ul> <p><b>AO2 Analysis (max 3 marks)</b></p> <ul style="list-style-type: none"> <li>The two main causes of changes in the terms of trade occur e.g., when there is an increase in export prices and a fall in import prices. Such changes are often the result of changes in the demand for exports and the demand for imports. <b>(1)</b></li> <li>Low-income countries are more likely to export primary goods and to import manufactured goods. The demand for primary goods may be lower than that for manufactured goods when income rises, e.g., for agricultural goods, so import prices may fall and terms of trade deteriorates. <b>(1)</b></li> <li>However, commodity prices such as oil may have an inelastic demand and prices may rise leading to an improvement in terms of trade. <b>(1)</b></li> </ul> <p><b>AO3 Evaluation (max 2 marks)</b><br/>For evaluation that considers the significance of changes in terms of trade <b>for low-income countries</b> that are producers of food stuffs and similar products <b>compared</b> to the benefits for low-income countries that have exports of products such as minerals that are in high demand in high-income countries. <b>Reserve 1 mark for a justified conclusion.</b></p> <p><b>Please use a text box to show the mark split e.g., 3 2 1</b></p> | 8     |
|           | AO1 Knowledge and understanding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 3     |
|           | AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 3     |
|           | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2     |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Marks |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 5(b)     | <p><b>Assess the extent to which different tools of protection can impact on the terms of trade in an economy.</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>• An explanation of what is meant by tools of protection.</li> <li>• Explanation of the different tools of protection and how they may impact the terms of trade.</li> <li>• Examples include tariffs which are used to increase import prices which will reduce the terms of trade but may improve them if domestic producers including infant industries are encouraged to invest and build up demand and increase export prices. However, retaliation and inelastic PED for imports may reduce the positive impact.</li> <li>• Other examples include import quotas, embargoes, exchange rate manipulation etc. At least one additional tool should be explained and analysed in terms of its advantages and disadvantages in relation to its impact on the terms of trade.</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.</p> <p><b>Level 2 responses</b> 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.</p> <p><b>Level 3 responses</b> 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.</p> <p><b>AO3 Evaluation</b></p> <p>Evaluation must focus on the impact of the tools of protection on the terms of trade. This should lead to a justified conclusion.</p> <p>Accept all valid responses.</p> <p><b>A one-sided response cannot gain any marks for evaluation.</b><br/><b>Please use a text box to show the mark split e.g., L2 5 L1 2</b></p> | 12    |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 8     |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 4     |