

# Cambridge International AS & A Level

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**ECONOMICS****9708/21**

Paper 2 AS Level Data Response and Essays

**October/November 2024****MARK SCHEME**

Maximum Mark: 60

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**Published**

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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 October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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This document consists of **18** 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
- Semicolons (;) bullet points (•) or figures in brackets (1) separate different points
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**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.

## Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

## Assessment objectives

### AO1 Knowledge and understanding

- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

### AO2 Analysis

- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

### AO3 Evaluation

- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

**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
<b>Follow the point-based marking guidance at the top of this mark scheme.</b>		
1(a)	<p><b>Using the data in Fig. 1.1, describe the trend shown in the annual inflation rate in Argentina over the period February 2021 to January 2022.</b></p> <ul style="list-style-type: none"> <li>• The overall trend during this period has been upward/increasing/rising from 40.7% in February 2021 to 50.7% in January 2022. (1)</li> <li>• Within this overall upward trend, there has actually been a downward trend from 52.5% in September 2021 to 50.7% in January 2022. (1)</li> </ul>	2
1(b)	<p><b>Explain what is meant by ‘the real interest rate will be negative’ in Argentina in January 2022.</b></p> <ul style="list-style-type: none"> <li>• It is when the interest rate is lower than the inflation rate in Argentina. (1)</li> <li>• In January 2022, it would be -10.7%/or method of calculation. (1)</li> </ul>	2
1(c)	<p><b>Consider the extent to which having ‘the fifth highest inflation rate in the world’ is likely to be a problem for Argentina’s economy.</b></p> <p>Explanation of why a high rate of inflation in Argentina might be a <b>problem</b> for Argentina’s economy, such as in terms of:</p> <ul style="list-style-type: none"> <li>• a reduced purchasing power of money</li> <li>• less competitive exports</li> <li>• menu costs</li> <li>• shoe leather costs</li> <li>• uncertainty in the economy and the possible impact on investment</li> <li>• the possible negative impact on savers</li> <li>• the possible negative impact on fixed income earners.</li> </ul> <p>However, there could be some <b>benefits</b>, such as:</p> <ul style="list-style-type: none"> <li>• increase in profits for firms</li> <li>• lower debt in real terms.</li> </ul> <p><b>Max 3 marks (Up to 2 marks for problems and up to 1 mark for benefits)</b></p> <p><b>Evaluation</b></p> <p>Offers a valid judgement on the extent to which a high rate of inflation in Argentina is a serious economic problem, taking into account how its rate of inflation compares with other countries and/or the fact that inflation can have benefits, such as an increase in profits for firms where prices rise by more than costs and an advantage for borrowers whose debt will be less in real terms.</p> <p><b>Max 1 mark</b></p>	4

Question	Answer	Marks
1(d)	<p><b>Assess whether the potential benefits of introducing maximum prices on 1432 products in Argentina are likely to outweigh the potential disadvantages.</b></p> <p><b>Up to 4 marks for explanation/analysis:</b></p> <ul style="list-style-type: none"> <li>Explanation of potential <b>benefits</b> of a maximum price, including keeping prices of the products, such as the prices of essential foods/basic necessities, lower than they would otherwise be and so contributing to a possible lowering of the rate of inflation in the economy. <b>(Up to 3 marks)</b></li> <li>Explanation of potential <b>disadvantages</b> of a maximum price, including the creation of excess demand and a shortage, the possibility of a queue or waiting list, the creation of rationing and the existence of an informal market. <b>(Up to 3 marks)</b></li> </ul> <p>The question does not explicitly require a diagram to be drawn, but credit can be given for one if it aids the explanation/analysis.</p> <p><b>Max: 4 marks</b></p> <p><b>Up to 2 marks for evaluation:</b></p> <p>Relevant evaluation of whether the potential benefits of introducing a maximum price on 1432 products in Argentina will outweigh the potential disadvantages, such as excess demand, the need for rationing and the possibility of an unofficial economy arising <b>(1)</b> leading to a conclusion. <b>(1)</b></p>	6
1(e)	<p><b>Assess the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina.</b></p> <p><b>Up to 4 marks for explanation/analysis:</b></p> <ul style="list-style-type: none"> <li>Explanation/analysis of the potential <b>benefits</b> of using monetary policy to control inflation in a country such as Argentina, such as the possibility that this will lead to a reduction in aggregate demand and how this may reduce inflation. <b>(Up to 3 marks)</b></li> <li>Explanation/analysis of the potential <b>limitations</b> of using monetary policy to control inflation in a country such as Argentina, such as the difficulty of knowing what the appropriate interest rate should be and the possibility that demand could be relatively interest-inelastic and the meaning of this. <b>(Up to 3 marks)</b></li> </ul> <p><b>Max: 4 marks</b></p> <p><b>Up to 2 marks for evaluation:</b></p> <ul style="list-style-type: none"> <li>Relevant evaluation which weighs up the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina. <b>(1)</b></li> <li>A conclusion on the likely overall effect. <b>(1)</b></li> </ul>	6

Question	Answer	Marks
<b>EITHER</b>		
2(a)	<p><b>Explain the determinants of supply for an agricultural product, such as rice, <u>and</u> consider which of these determinants is likely to be of the greatest significance at the present time.</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, and up to 2 marks for AO3 Evaluation.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <p>A knowledge and understanding of the determinants of supply for an agricultural product, such as rice (there should be at least <b>two</b> determinants):</p> <ul style="list-style-type: none"> <li>• physical factors, e.g. climate and soil</li> <li>• institutional factors, e.g. land tenure and land reforms</li> <li>• infrastructural factors, e.g. irrigation and storage facilities</li> <li>• the price of rice and the prices of other agricultural products.</li> </ul> <p><b>AO2 Analysis (max 3 marks)</b></p> <p>An analysis of the importance of these determinants of supply for an agricultural product, such as rice. For example, if rice is relatively easy to store, the supply will be more elastic.</p> <p><b>AO3 Evaluation (max 2 marks)</b></p> <p>Offers a valid judgement on which of these determinants of supply for an agricultural product, such as rice, is likely to be of the greatest significance at the present time <b>(1)</b> to reach a conclusion. <b>(1)</b></p>	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	<p><b>Assess whether the supply of agricultural products is likely to be more price elastic or less price elastic than the supply of manufactured products.</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> Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <p>A knowledge and understanding and analysis of possible factors affecting the PES of agricultural products and manufactured products, including:</p> <ul style="list-style-type: none"> <li>the number of producers</li> <li>the existence of spare capacity</li> <li>the ease of storing stocks</li> <li>the time period</li> <li>the extent of factor mobility</li> <li>the length of the production process.</li> </ul> <p>Answers should analyse how PES is affected by each of these, with a clear distinction between the two types of products.</p> <p><b>Level 1 responses</b> will be assertive and lacking in explanations/mainly descriptive and/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> <ul style="list-style-type: none"> <li>Evaluation of whether the supply of agricultural products is likely to be more price elastic or less price elastic than the supply of manufactured products.</li> <li>In conclusion, PES for agricultural products is likely to be less elastic than the PES for manufactured products.</li> </ul> <p>Accept all valid responses. A one-sided response cannot gain any marks for evaluation.</p>	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
<b>OR</b>		
3(a)	<p><b>With the help of a diagram, explain the significance of a position within a market economy's production possibility curve (PPC) <u>and</u> consider whether such a position is likely to be permanent.</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, and up to 2 marks for AO3 Evaluation.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <p>A diagram of a PPC:</p> <ul style="list-style-type: none"> <li>the axes of the PPC are appropriately labelled, such as manufactured/agricultural goods or consumer/capital goods or Good A/Good B (1)</li> <li>the PPC will need to touch both axes (1)</li> <li>a position within a PPC is clearly shown. (1)</li> </ul> <p><b>AO2 Analysis (max 3 marks)</b></p> <p>An analysis of the significance of a position within/inside a PPC:</p> <ul style="list-style-type: none"> <li>a position where an economy is using its resources inefficiently</li> <li>where not all available resources are being utilised</li> <li>where the output of both products is lower than it would be if all available resources were being used</li> <li>there should be some reference to permanency.</li> </ul> <p><b>AO3 Evaluation (max 2 marks)</b></p> <p>Offers a valid judgement on whether such a position is likely to be permanent (1) to reach a conclusion. (1)</p>	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	<p><b>Assess whether consumers always benefit when the government of a mixed economy reduces the role of the market mechanism in allocating resources.</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> Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <p>The <b>advantages</b> of the market mechanism in a mixed economy might include:</p> <ul style="list-style-type: none"> <li>Decisions are made by individual consumers and individual producers who act in their own self-interest.</li> <li>Resources are allocated by a price mechanism without the need for very much government intervention.</li> </ul> <p>The <b>disadvantages</b> of the market mechanism in a mixed economy might include:</p> <ul style="list-style-type: none"> <li>Some products will be underprovided and underconsumed, e.g. a merit good such as education, while some products will be overprovided and overconsumed, e.g. a demerit good such as tobacco.</li> <li>Some products will not be provided, e.g. a public good such as police.</li> </ul> <p>The <b>advantages</b> of government intervention in a mixed economy might include:</p> <ul style="list-style-type: none"> <li>Government intervention in the allocation of resources means it can take decisions in the national interest.</li> <li>The government could create a more equitable distribution of income.</li> </ul> <p>The <b>disadvantages</b> of government intervention in a mixed economy might include:</p> <ul style="list-style-type: none"> <li>Government control could lead to an inefficient allocation of resources.</li> <li>Lack of competition/profit motive could lead to products of lower quality.</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations/mainly descriptive and/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>	12

Question	Answer	Marks
3(b)	<p><b>AO3 Evaluation</b></p> <ul style="list-style-type: none"><li>• Evaluation of relative balance of advantages and disadvantages of each.</li><li>• In conclusion, consideration of whether consumers will always benefit when the government of a mixed economy reduces the role of the market mechanism in allocating resources.</li></ul> <p>Accept all valid responses. A one-sided response cannot gain any marks for evaluation.</p>	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
<b>EITHER</b>		
4(a)	<p><b>Explain <u>two</u> possible causes of economic growth <u>and</u> consider whether the consequences of economic growth for an economy will always be positive.</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, and up to 2 marks for AO3 Evaluation.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <p>A knowledge and understanding of what is meant by economic growth (1) and <b>two</b> possible causes of economic growth, such as:</p> <ul style="list-style-type: none"> <li>• an increase in the number of workers</li> <li>• an improvement in the quality of workers, e.g. in terms an increase in education and/or training</li> <li>• a greater commitment to research and development</li> <li>• an improvement in the state of technology</li> <li>• investment in capital stock</li> <li>• increased mobility/flexibility of factors of production</li> <li>• development of new export markets.</li> </ul> <p><b>(Up to 2 marks)</b></p> <p><b>AO2 Analysis (max 3 marks)</b></p> <p>An analysis of the possible consequences of economic growth for an economy, both positive and negative, such as:</p> <ul style="list-style-type: none"> <li>• leads to an increase in the standard of living</li> <li>• could lead to a decrease in unemployment</li> <li>• may lead to a depletion of resources and to environmental damage</li> <li>• there could be a reduction in the quality of life, e.g. less leisure time.</li> </ul> <p><b>AO3 Evaluation (max 2 marks)</b></p> <p>Offers a valid judgement on whether the consequences of economic growth for an economy will always be positive (1) to reach a conclusion. (1)</p>	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	<p><b>Assess whether a government should always aim for an expansionary fiscal policy rather than a contractionary fiscal policy.</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. AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b> Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <p>Explanation of when an <b>expansionary</b> fiscal policy would be appropriate, and how such a policy would work, such as:</p> <ul style="list-style-type: none"> <li>• to increase aggregate demand (AD)</li> <li>• to increase economic growth</li> <li>• to increase employment</li> <li>• to increase inflation</li> <li>• to encourage exports and imports.</li> </ul> <p>Explanation of when a <b>contractionary</b> fiscal policy would be appropriate, and how such a policy would work, such as:</p> <ul style="list-style-type: none"> <li>• to reduce aggregate demand (AD)</li> <li>• to reduce economic growth</li> <li>• to reduce employment</li> <li>• to reduce inflation</li> <li>• to discourage exports and imports.</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations/mainly descriptive and/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> <ul style="list-style-type: none"> <li>• Consideration of when a government should aim for an expansionary policy and when a government should aim for a contractionary one.</li> <li>• In conclusion, which approach will be better for particular economic situations.</li> </ul> <p>Accept all valid responses. A one-sided response cannot gain any marks for evaluation.</p>	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
<b>OR</b>		
5(a)	<p><b>Explain the potential advantages of free trade <u>and</u> consider whether such advantages are always greater than the potential disadvantages of free trade.</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, and up to 2 marks for AO3 Evaluation.</p> <p><b>AO1 Knowledge and understanding (max 3 marks)</b></p> <p>A knowledge and understanding of at least <b>two</b> potential <b>advantages</b> of free trade, such as:</p> <ul style="list-style-type: none"> <li>• an increase in world output</li> <li>• a wider range of products for consumers to choose from</li> <li>• an improved standard of living.</li> </ul> <p><b>AO2 Analysis (max 3 marks)</b></p> <p>An explanation of at least <b>two</b> potential <b>disadvantages</b> of free trade and how these contrast with the potential advantages of free trade, such as:</p> <ul style="list-style-type: none"> <li>• free trade involves specialisation which could mean that some economic sectors are allowed to run down, leading to higher unemployment</li> <li>• overreliance on some commodities could be risky</li> <li>• potential security risk if vital resources are imported.</li> </ul> <p><b>AO3 Evaluation (max 2 marks)</b></p> <p>Offers a valid judgement on whether the potential advantages of free trade are always greater than the potential disadvantages of free trade <b>(1)</b> to reach a conclusion. <b>(1)</b></p>	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	<p><b>Assess whether an economy will always benefit from having a surplus on the current account of its balance of payments.</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. AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b> Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <p><b>Potential benefits:</b></p> <ul style="list-style-type: none"> <li>• A country will have surplus foreign exchange which it could use to invest in other countries.</li> <li>• A high level of exports could lead to an increase in jobs in the export sector.</li> <li>• Lower spending on imports may mean that people are buying more domestic goods which could also increase employment.</li> <li>• It could stimulate economic growth.</li> </ul> <p><b>Potential disadvantages:</b></p> <ul style="list-style-type: none"> <li>• A current account surplus could be a sign of weak domestic demand with lower consumer spending and this could reduce domestic employment.</li> <li>• It could lead to lower economic growth.</li> <li>• The surplus could have been caused by a recession in the economy.</li> <li>• It can contribute to lower output and employment in those countries with a current account deficit.</li> </ul> <p><b>Level 1 responses</b> will be assertive and lacking in explanations/mainly descriptive and/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> <ul style="list-style-type: none"> <li>• Considers the potential benefits and disadvantages of the surplus.</li> <li>• Considers the size of the surplus and the possible reasons for it.</li> <li>• In conclusion, will an economy always benefit from having a surplus?</li> </ul> <p>Accept all valid responses. A one-sided response cannot gain any marks for evaluation.</p>	12
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4