Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **March 2020**

MARK SCHEME

Maximum Mark: 70

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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

Cambridge International is publishing the mark schemes for the March 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

© UCLES 2020

[Turn over

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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.

© UCLES 2020

LEVELS OF RESPONSE MARKING PROCESS

There are two steps that need to be taken in awarding the mark for the essay questions:
Step 1: Determine the level – start at the highest level and work down until you reach the level that best describes the answer. Use a 'best-fit' approach: which level does it most closely resemble overall, considering all of the assessment objectives on balance?
Step 2: Determine the mark within the level by considering the following:

- Consistently meets the criteria; clear evidence of the qualities of the level = at the top of the level
- Meets the level's criteria but with some slight inconsistency or some parts of the criteria not addressed = at the middle or above the middle of the level (depending on number of marks available)
- Just enough achievement for this level on balance = either below the middle or at the middle of the level (depending on number of marks available)
- Answer is on the borderline of this level and the one below, i.e. it there is only limited evidence it meets the criteria for this level = at the bottom of level

LEVELS OF RESPONSE MARKING DESCRIPTIONS

Please also see the mark scheme for each part of each essay, detailing the ranges of marks to be awarded for each Level, and some illustrative content.

Level	**AO1**	**AO2**	**AO3**	**AO4**
L4	detailed knowledge of relevant facts and theory perceptive understanding of the specific requirements of the question throughout the answer	relevant, apposite illustrations and specific examples are introduced to add depth and fullness to the answer recognises the underlying economic concepts and principles and applies these in relevant situations to develop the answer	detailed, precise and purposeful description, explanation and analysis using appropriate economic terms and concepts correctly and fluently draws clear, reasoned conclusions a sound, well-structured answer	critical evaluation of the issues, considering relevant information and economic principles distinguishes between facts, hypotheses and/or value judgements challenges assumptions of the question or model
L3	adequate knowledge of relevant facts and theory a reasoned understanding of the question's requirements shown in the answer	some appropriate relevant illustration or examples seen but they may be quite general or not very full applies theory and facts with accurate reference to the question to develop the answer	straightforward, satisfactory analysis: generally clear statements, supported by reasoned arguments including some specific economic terms and concepts draws some conclusions a functionally organised answer	partly complete evaluation of the issues in terms of either relevant information or economic principles attempt to distinguish between facts, hypotheses and/or value judgements attempt to comment on assumptions

L2	identifies some relevant facts and/or theory the answer overall has a general relevance to the question, showing some understanding	illustration may not be fully relevant and is superficial or overgeneralised an accurate application of some related theory or fact(s), with little or no development	some analysis present but limited by omissions, error(s), irrelevant details or unclear communication conclusions may not be drawn from it a disorganised answer	some evidence of an ability to evaluate, discriminate, or to make basic judgements, considering some relevant information
L1	shows some relevant knowledge the answer indicates that the question has not been correctly understood	barely relevant, minimal or tangential illustration basic errors of theory or of fact with inadequate development	any analysis present is likely to have major errors, omissions or be mostly irrelevant	minimal or no evidence of the evaluation skills of criticism, judgement or discrimination in the answer

© UCLES 2020

Question	Answer	Marks
1(a)	**Identify from the article one example, other than expansionary monetary policy, of a macroeconomic policy tool that a government could use and analyse how it might affect the economy.** Taxation/spending/investment/regulation These affect aggregate demand and thus income, growth, employment. Accept contractionary monetary policy. **1 for example; up to 3 for development of analysis**	**4**
1(b)	**Explain two merits of using a cost-benefit analysis before starting a major investment project in the public sector.** Comment on the ability to account for at least some of the externalities, both positive and negative **(up to 2 marks)** The text refers to the distribution of the effects of the investment project on different groups. CBA could highlight these effects **(up to 2 marks)**	**4**
1(c)	**Consider whether there is any evidence in the information that a high GDP means that the well-being of the population is also higher.** GDP isn't same as HDI **(1)** HDI could be used to assess well-being, the higher the HDI the better **(1)** Table gives GDP not GDP per capita so it is difficult to judge **(1)** On the basis of rank order, apart from Germany, there is seemingly no correlation **(1)** Examples should be given **(1 or 2)** Any 5 in total	**5**
1(d)	**Use the article to consider the reasons why there are different opinions about the level at which central bank interest rates should be fixed.** Comment on the different existing conditions in an economy and the likely effect of changing interest rates. **Up to 4 marks** for developing one direction of change for a particular situation, for example, reduced rates to encourage growth when there is unemployment. More than one such situation should be explained. Question refers to the article, but allow **1 mark** for a relevant comment not in the article. The main emphasis should be on the article though.	**7**

Question	Answer	Marks
2	**'The existence of externalities implies market failure and therefore that the good should necessarily be provided by the government.' Discuss this assertion.** The answer should consider the proposition and comment on its validity. Externality is cited as cause of market failure. The explanatory link to efficiency should be given. There should be an argument about whether the lack of efficiency necessarily involves public ownership or whether it could be achieved by regulation or control through taxation **L4 (18–25 marks):** for a reasoned and clear discussion with accurate development of theory and good links in the argument together with a reasoned conclusion. Max 21 if no conclusion **L3 (14–17 marks):** for a competent comment together with limited elaboration of the analysis or imprecise links in the argument. There will be some discussion but the evaluation will not be fully developed or extensive **L2 (10–13 marks):** for a brief explanation but weak or ill-explained links. The explanation will be undeveloped with some attempt at analysis but only limited evaluation **L1 (1–9 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**25**
3(a)	**Explain the link between a consumer's rational behaviour, marginal utility, prices of different goods and the demand for a good.** Explanation of idea that a rational consumer aims to maximise utility; this involves a comparison of marginal utility with prices which determines the amount demanded **L4 (9–12 marks):** for a reasoned and clear explanation, logically presented dealing with each point and an accurate link to the demand curve as prices change **L3 (7–8 marks):** for a fair but undeveloped explanation probably concentrating on the equilibrium condition but not fully linking the idea to the demand curve or dealing with only one point on the demand curve ignoring price changes **L2 (5–6 marks):** for a briefer explanation, probably not fully explaining the equilibrium when there is more than one good and with no link to the demand curve **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**12**

© UCLES 2020

Question	Answer	Marks
3(b)	**To what extent may the demand theory based on indifference curves be considered superior to that derived from marginal utility?** Indifference curve theory shows the quantities of two goods bought as either income or price changes; changes in amounts bought can be split into income and substitution effects and different types of goods more readily distinguished The analysis does not require an absolute measurement of utility in 'utils' only a recognition that 'higher' curves indicate more satisfaction. It still requires some identification of satisfaction to construct the precise level of the curve which in reality is unrealistic The indifference curve diagram also has no direct representation of demand against price **L4 (9–13 marks):** for a sound explanation of the analysis and a clear understanding of the principles. A consideration of both the possible advantages and disadvantages of using indifference analysis should be presented **L3 (7–8 marks):** for an accurate reference to the question but with a more limited evaluation or with minor errors in the analysis **L2 (5–6 marks):** for a briefer explanation of the analysis and a more one-sided comment on the differences **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**13**
4(a)	**Explain what determines the size of a firm.** Explanation of factors determining size of firm • entrepreneurial skill and aims • managers and managerial ability • market size • availability of finance • nature of the business (availability of economies of scale) • availability of labour **L4 (9–12 marks):** for a sound description covering at least 4 reasons and a clear understanding of the principles **L3 (7–8 marks):** for a competent comment of at least 3 reasons, or a briefer comment or development of at least 4 reasons **L2 (5–6 marks):** for a competent comment of 2 reasons or a briefer comment and development of 3 reasons **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**12**

© UCLES 2020

Question	Answer	Marks
4(b)	**Consider the view that in the absence of government regulation there are no limits on the ability of a monopolist to charge whatever price it wishes.** Usual aim of monopoly is thought to be maximum profits. Even with this aim, the price charged will be restricted by costs and demand although control over the market and also price discrimination might mean that price is higher than under perfect competition. But not all monopolies are without potential competition, so there could be a restriction in price due to the likelihood of a contestable market. **L4 (9–13 marks):** for a sound discussion and a clear understanding of the principles and a reasoned conclusion **L3 (7–8 marks):** for a competent comment with limited development, probably a brief mention of contestable markets **L2 (5–6 marks):** for a limited but acceptable attempt at analysis concentrating on supernormal profit **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**13**
5(a)	**How does economic analysis explain the level of wage rates in a perfectly competitive labour market?** Explanation of wage rates in a perfectly competitive industry linking the firm and the industry. Either demand and supply approach or MRP theory but L4 only awarded for MRP. **L4 (9–12 marks):** for a sound explanation of MRP theory and a clear understanding of the principles, linking the market and the firm. Higher marks for showing effect of a shift in the MRP **L3 (7–8 marks):** for a competent comment but with limited elaboration. Still a link between the firm and industry but no shifts in demand or supply **L2 (5–6 marks):** for a briefer explanation probably not fully explaining the equilibrium and no link between firm and industry **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**12**

© UCLES 2020

Question	Answer	Marks
5(b)	**Discuss, with the aid of a diagram, the possible effects on the operation of an imperfectly competitive labour market of a government fixing a wage rate in this market.** Explanation of the analysis of imperfect labour market, with mrp diagram and the imposition of a wage level. Outcome would depend on where the wage rate is fixed by the government. It is presumed that the wage rate would be higher than that obtained in the market. It could result in a reduction in employment or a constant employment with a higher wage, or both an increase in employment and wage. **L4 (9–13 marks):** for a sound clear explanation of the analysis, clear diagram, and a discussion about the various alternatives of the fixed wage **L3 (7–8 marks):** for a less competent treatment of the analysis and a discussion of only one likely outcome. Diagram may have a small error in it **L2 (5–6 marks):** for a very brief explanation of the analysis, more inaccurate diagram, and little discussion of the outcome **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**13**
6	**'Monetarists insist that control of the money supply is the key to solving the problem of inflation, Keynesians argue that inflation can only be controlled by controlling expenditure.'** **To what extent do you agree that both these approaches are only partially correct?** Keynesian explanations of demand-pull and cosh-push inflation plus the monetarist explanation of inflation based on the quantity theory of money. Both approaches should be analysed. An attempt should be made to evaluate the extent to which each of these approaches might be successful by considering the assumptions and context relating to each alternative. **L4 (18–25 marks):** for at least one of the two possible Keynesian explanations which should be critically evaluated. The effectiveness of the Monetarist alternative explanation should also be discussed. A reasoned conclusion should be provided which related to both parts of the question **L3 (14–17 marks):** for accurate but less-developed analysis of either the Keynesian demand-pull suggested solution to the problem of inflation or the Keynesian cost-push approach with limited analysis of the monetarist alternative and some attempt to show why different approaches might present only partial solutions **L2 (10–13 marks):** for a descriptive explanation of both approaches with only passing reference to the evaluative part of the question **L1 (1–9 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**25**

© UCLES 2020

Question	Answer	Marks
7(a)	**With the help of a diagram explain the Laffer Curve analysis and consider its link to supply-side policies.** A correctly drawn and labelled Laffer curve diagram will be used to illustrate the relationship between the percentage rate of taxation levied and the associated total tax revenue expected. This theory should then be linked to government supply-side policies. Both market-led and interventionist supply-side policies might be considered but the emphasis should be upon the use of alternative taxation policies and their subsequent effect on the total tax revenue received. Some attempt should be made to establish the importance of this link by providing examples of alternative outcomes based on different taxation policies. **L4 (9–12 marks):** for demonstrating a clear understanding of the potential importance of Laffer curve analysis in relation to successful taxation policy. The link between this theory and alternative government supply-side policies should be established and there should be some discussion relating to the importance of this link to policymakers **L3 (7–8 marks):** for an attempt to explain the Laffer curve analysis and link this to supply-side policies but no attempt to discuss the effectiveness and usefulness of this link to government policy **L2 (5–6 marks):** for a competent comment with the emphasis on describing the Laffer curve and identifying some supply-side policies but not examining the links between theory and policy in sufficient depth **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**12**
7(b)	**'Supply-side policies do not work when economies are in recession.' How far do you agree with this statement?** Supply-side policies and their importance will be explained in detail. A distinction between market led and interventionist supply-side policies should be made. The key characteristics of an economic recession should be identified and possible reasons why recessions cause economic problems should be discussed. An in-depth discussion of the effectiveness of supply-side policies in relation to solving problems arising from a recession should be provided. **L4 (9–13 marks):** for a detailed discussion regarding the use of supply-side policies to address problems associated with an economic recession. At least two alternative supply-side policies should be considered with a comment on the effectiveness of these policies. A reasoned conclusion should be provided **L3 (7–8 marks):** for a clear understanding of the potential negative effects of an economic recession and a less developed attempt to use two supply-side polices or one policy more fully developed **L2 (5–6 marks):** for a general description of the meaning of an economic recession supported by some general understanding of how supply-side policies might work in practice **L1 (1–4 marks):** for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant	**13**

© UCLES 2020