Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **March 2021**

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.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level 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.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- 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.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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MARKING SPECIFICS

1 How to deal with crossed out work and multiple answers:
- Where a candidate crosses out an answer and provides an alternative response to that same question, then mark the work which is not crossed out.
- Where a candidate crosses out an answer and does not make another attempt, you should attempt to mark the crossed out work and award marks appropriately. This must also be done even in circumstances where the candidate has gone on to answer an alternative optional question in Section B.
- For the avoidance of doubt, all of a candidate's answers, crossed out or not, optional or not, must be marked. The only work which is not to be marked is something that has been crossed out and replaced by more work for that same question.

2 There is 'no response' (NR) award, as well as a zero marks award. Only award NR if there is nothing at all written in answer to that question (which is often but not always the case for optional questions), OR if there is a comment which does not relate in any way to the question (e.g. 'can't do' or 'don't know' etc), OR if there is a mark such as a dash or question mark which isn't an attempt at the question. You can use the [#] or [/] key as a shortcut for NR. However, if there is any attempt at the question which does not score, including copying the question onto the Answer Booklet, then a mark of 0 must be awarded whether this work is crossed out or not.

3 Always check every page in every response, including additional objects. Every page requires some form of annotation to show you have seen it.

4 Sometimes a candidate mislabels their answers. They may, for example, have written "3(a)" in the margin, but the answer given is clearly to question 4(a). In this case, use the mark scheme for 4(a) and award the mark against the mark box for 4(a). Then add a text box comment to the response and put something like: "this is 4a".

ANNOTATIONS

Any script you mark may be seen or reviewed by your Team Leader, another Team Leader, the Principal Examiner, Cambridge International staff or the candidate's Centre. Annotation will make it clear how you arrived at the mark that you have awarded. The following annotations are used in marking this paper and should be used by examiners wherever appropriate.

Annotation	Use or meaning
L1	Meets description for Level 1 of the Levels of Response.
L2	Meets description for Level 2 of the Levels of Response.
L3	Meets description for Level 3 of the Levels of Response.
L4	Meets description for Level 4 of the Levels of Response.
✓	Correct and relevant point made in answering the question.
BOD	Benefit of the doubt given. The point has not been made quite correctly, completely or precisely, but is nearly there and the intention is clear.
^	Omission mark. A term, a label, a line on a graph, an example, etc, required to make the point correctly has been missed out of the response.
×	Incorrect point or error made.

Annotation	Use or meaning
?	The point being made is unclear or confused.
NAQ	Not answering the question.
SEEN	This work has been noted by the examiner, but there is nothing of any credit here.
[T] (text box)	A catch-all, when you need to give more detail or explanation, such as a breakdown of marks, or a comment. Please note that teachers who request a script can read your comments.

ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

LEVELS OF RESPONSE MARKING APPROACH

The essay questions in Section B are marked using Levels of Response. They carry a maximum mark of 25 each. Most of them are split into two parts, where part (a) is worth 12 marks and part (b) is worth 13 marks. However, some essays are set as a single question worth 25 marks.

Try not to 'bunch' marks, but use the whole mark range. Do not reserve (e.g.) high Level 4 marks ‘just in case’ something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, then it must be rewarded appropriately. If there is any doubt in your mind, give the benefit of doubt to the candidate.

The difference in grades should be assessed on the ability of the candidate to demonstrate the skills described in the assessment objectives and not purely on the ability to itemise further facts from the content of the syllabus. All of the essays test the four assessment objectives above.

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

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Level	**AO1**	**AO2**	**AO3**	**AO4**
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

Question	Answer	Marks
1(a)	**Explain what is meant by 'a free market organises economic resources for the benefit of everyone'.** Factors of production are organised without government intervention, [1] no imperfection, [1] prices determined by unrestricted competition, (Supply and demand), [1] all participants benefit from the working of the market, [1] allocative efficiency maximises society's welfare [1]	**4**
1(b)	**Analyse why the article says that some markets are 'imperfect'.** • Price control; price discrimination; exploitation of consumers • Concentration of market power and control ; growth of very large firms ; high profits ; inequality of rewards • inefficient outcomes of production and distribution ; detrimental effects on local economies	**4**
1(c)	**Distinguish between equality and equity and use the information to give <u>two</u> examples of policy measures that might promote equality in the distribution of income.** Equity – fair distribution usually of income or opportunity. It is a more normative concept than equality and is difficult to measure. [1] Equality, in contrast, aims to ensure that everyone gets the same things. A similar or same distribution of wealth/income. [1] Two examples from the text: social welfare, inheritance taxes, progressive taxes, greater workers' rights, government regulation of large corporations' profits [2]	**4**
1(d)	***Some argue that large firms are beneficial. Consider whether the evidence in the information supports their opinion.*** Beneficial: The opinion states that their merit is they pay higher wages, are more productive, better in international markets, [3] add disproportionately to a country's economic growth, The article gives GDP comparison to illustrate this. [1]. Only three countries are cited. Spain, with small number of larger companies than Germany has higher GDP rate, [1] Italy also with a smaller number of larger companies does not. [1]. Not beneficial: firms practice price discrimination (exploitation of consumers); concentration of power adversely affects local economies; local businesses work longer hours to compete; large companies can cause inequalities; [4] Up to 5 for one side.	**8**

Question	Answer	Marks
2	**'Smoking cigarettes causes negative externalities and negative externalities cause market failure which can only be solved by government intervention.'** **To what extent do you agree with this statement?** *There are three parts to this question. Answers should provide a clear explanation of the meaning of a negative externality and the link between the definition and asymmetric information and negative spill-over effects.* *Analysis should be then used to explain why negative externalities cause market failure. In this case market failure would be identified as an allocatively inefficient use of resources. Further analysis of the link between government intervention and the solution to this type of market failure should be provided.* *Alternative solutions to this type of market failure should be considered and a conclusion provided which examines whether government intervention is the only possible solution to this type of market failure.* **L4 (18–25 marks):** For a reasoned and clear discussion which links each of the three separate parts of the question. Analysis of the links will be combined with some evaluative comment relating to the effectiveness of government intervention. A reasoned conclusion should be provided. 21 max 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 the emphasis will be on descriptive comment or not all of the three elements of the question will be addressed. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**25**

Question	Answer	Marks
3(a)	**'A firm in a perfectly competitive market can make either a supernormal profit or a loss in the short run but will only make normal profit in the long run.'** **Assess whether this statement is true.** *The key characteristics of a firm operating in perfect competition should be clearly identified. Each of the outcomes, supernormal profit, loss and normal profit should be explained. The potential short run positions which indicate either supernormal profit or loss should be explained. Similarly, the long run position indicating normal profit should be explained.* *The link between the market, the market price and profit maximising price and output of the firm should be clearly established and assessed.* **L4 (9–12 marks):** For a clear, logical development of each of the points referred to above. The link between the profit maximising price and output of the firm to the market price is essential. A conclusion based on the preceding discussion should be made which attempts to assess the extent to which the statement is true. **L3 (7–8 marks):** For a fair but undeveloped explanation probably concentrating on the equilibrium price and output of the firm but not fully linking the behaviour of the firm to changes in the market, therefore not fully analysing the difference between short run outcomes and long run outcomes relating to a firm in a perfectly competitive market. A limited conclusion might be provided. **L2 (5–6 marks):** For a more descriptive explanation that outlines the key characteristics of a perfectly competitive firm and explains the difference between the short run and the long run and the difference between a loss and supernormal profit. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
3(b)	**Discuss the view that a firm operating in a perfectly competitive market will achieve economic efficiency but a monopoly firm will not.** *Good responses will explain three types of efficiency: allocative efficiency; productive efficiency and dynamic efficiency. A comparison can then be made between efficiency outcomes associated with both types of firm.* *Responses should refer to productive and allocative efficiency attained by a perfectly competitive firm in the long run and compare this with potentially less efficient outcomes relating to monopoly. Reference to opportunities to benefit from dynamic efficiency being restricted to monopoly should be made while also recognising that a monopoly might suffer from X inefficiency.* *An attempt to assess the validity of the view in the question should be made.* **L4 (9–13 marks):** For a sound explanation of the analysis and a clear understanding of each of the three types of efficiency involved. An attempt to evaluate the accuracy of the view under consideration, by focusing upon whether a perfectly competitive firm will always be more efficient than a monopoly. **L3 (7–8 marks):** For an accurate reference to the question and an analysis of two types of efficiency and an attempt to link these different types of efficiency to different firms but with a more limited evaluation or no attempt to discuss the validity of the view under consideration. **L2 (5–6 marks):** For a briefer, more descriptive response that examines one type of efficiency and applies this concept to both types of firm. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
4(a)	**Distinguish between transfer earnings and economic rent. With the help of diagrams, consider the links between transfer earnings, economic rent, the elasticity of supply of labour and an individual worker's wage rate.** *Answers should clearly define the concepts of transfer earning and economic rent and establish the key difference between the two. Diagrams are required to illustrate the difference between the two concepts. The meaning of the term* ***elasticity of supply of labour*** *should be clearly expressed and linked to the concepts of rent and transfer earnings, reference to diagrams might be made.* *The determination of an individual's wage rate using the supply of and demand for labour analysis can then be explained. Some discussion might attempt to evaluate the strength of the links outlined.* **L4 (9–12 marks):** For a response which addresses all three elements of the question. Also, a clear link will be established between the elasticity of supply of labour and the individual's wage rate. The extent of the link should be questioned by considering other factors which might influence this link and making some attempt to produce a reasoned, developed conclusion. **L3 (7–8 marks):** For a competent analysis of the importance of each of the three elements referred to in the question and showing how they might be linked but no attempt made to consider the extent of the links. **L2 (5–6 marks):** For a descriptive comment of each of the three or elements of the question but only a very brief attempt to establish any links. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
4(b)	**'Trade unions can gain an increase in wage levels only at the expense of higher levels of unemployment.' To what extent do you agree with this statement?** *The impact of trade unions will be measured by the ability of unions to raise wages and the extent to which this might have a negative effect on employment. Analysis will be based on traditional labour markets where wage rates are determined by the supply of and the demand for labour. It is possible to argue that trade unions can raise wages without loss of jobs, by increasing training and ultimately MRP. Unions might be able to achieve this in a bilateral bargaining situation where unions negotiate with a monopsony buyer.* *Good responses will consider situations where trade unions might increase wage levels but only at the expense of unemployment. A conclusion considering whether the candidate believes that the statement is correct should be provided.* **L4 (9–13 marks):** For a sound discussion that recognises at least two situations where trade unions can influence wage levels and employment. Evaluative comment relating to whether the statement is only partially correct should be introduced and based upon the preceding analysis. **L3 (7–8 marks):** For a competent comment with limited development that recognises and analyses one situation where trade unions can influence wage levels and employment. However, there will be no direct attempt to assess whether the statement is correct. **L2 (5–6 marks):** For a limited but acceptable attempt which identifies and describes one situation involving trade union interference. For example, bilateral bargaining or a response which makes little attempt to provide relevant analysis to address the specific question. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

Question	Answer	Marks
5(a)	**Distinguish between productivity and the level of production and discuss why productivity in a developing economy is likely to be lower than in a developed economy.** *Answers should clearly explain that production describes the level of output of goods and services in a particular time period and that productivity describes the efficiency obtained when producing this level of output. Efficiency would be measured by the unit of output produced per unit of input in a given time period.* *The main body of the response should examine why productivity in a developing economy is likely to be lower than in a developed economy. Candidates might refer to: inadequate infrastructure; insufficient capital investment; focus on primary production; lack of skills/education; unavailability of skilled managers. A relevant conclusion should be provided which might consider the relative importance of alternative explanations.* **L4 (9–12 marks):** For a sound explanation of the difference between production and productivity with supporting examples. At least 3 factors should be identified which address the assertion in the question. Some attempt should be made to evaluate the relative importance of the factors identified. A conclusion should summarize the preceding discussion. **L3 (7–8 marks):** For a competent explanation which clearly distinguishes between the two concepts plus some relevant analysis based on the identification of two relevant factors and a limited attempt to discuss the relative importance of each factor. A brief summary might be provided. **L2 (5–6 marks):** For a brief and less developed explanation of each of the two concepts and some descriptive comment relating low productivity to developing economies. There will be no attempt to establish the relative importance of alternative explanations. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
5(b)	**'Rising population levels in a developing economy create many problems while falling population levels in a developed economy cause even greater problems.'** **To what extent do you think this is a true statement?** *There are two aspects of the statement. It is important that candidates recognize this and give equal attention to both parts to enable candidates to address the specific question. Problems relating to a developing economy would relate to a high dependency ratio based primarily on a high birth rate. The links between population growth, dependency and economic growth might then be discussed.* *A similar approach might be adopted regarding a developed economy. In this case however this would relate to an ageing population with a falling birth rate. Emphasis would be upon the need to provide a work force in the future to support a growing number of individuals who are no longer able to work. Good responses will ensure that they use analysis in each case to decide the extent to which they agree that the statement is true.* **L4 (9–13 marks):** For a sound explanation of the different demographic structures associated with each type of economy. Both parts of the statement should be addressed and, in each case, the importance of the links between population, dependency and the creation of income and wealth should be analysed. Clear identification of problems in both cases should be evident and the extent to which the candidate agrees with the statement should be discussed. **L3 (7–8 marks):** For a less competent analysis of the links between population, dependency and wealth creation. Both elements of the statement might be considered but not on an equal basis. There will be less evidence of an attempt to link the analysis to the statement. Only a brief conclusion will be provided. **L2 (5–6 marks):** For a response which is descriptive rather than analytical. Answers might focus on why demographic structures might differ between the two types of economy but will fail to identify and compare the associated problems referred to in the statement. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
6	**Explain why an economy might be in equilibrium at less than a full employment level of output and critically evaluate alternative policy measures which might be used to move the economy to a full employment level of output.** *Candidates may adopt alternative approaches to this question. One approach may use a circular income flow model and use this to explain the concept of equilibrium. Alternative measures might then relate to Keynesian demand side policies. For example, increasing injections based on government spending and budget deficits which, in combination with the multiplier might produce full employment equilibrium. In this case evaluative comment might include references to: potential inflationary effects of budget deficits; crowding out; possible negative effects on balance of payments.* *Some candidates may adopt a monetarist explanation which identifies equilibrium unemployment which can occur due to frictions in the market which cause structural, frictional unemployment and is described as the natural rate of unemployment. Measures in this case would concentrate on the supply side and include both direct government intervention, for example the provision of information/skills and training to increase occupational mobility or market intervention through the use of taxation and subsidies.* *Evaluative comment should be provided to discuss the potential success of these measures. For example, subsidies might involve a significant opportunity cost, training and education often requires a long time period to produce success.* **L4 (18–25 marks):** For either approach an explanation of the meaning of **equilibrium** is required and supporting analysis should be fully developed and critically evaluated. At least two evaluative comments should be provided. A reasoned conclusion should be provided which relates to both parts of the question. Maximum 21 without conclusion. **L3 (14–17 marks):** For accurate but only partially developed analysis based on either approach which provides at least one evaluative comment. Some attempt to draw upon the analysis and form a conclusion might be demonstrated. **L2 (10–13 marks):** For a mainly descriptive comment which provides limited analysis and does not include any discursive comment. A conclusion will not be provided. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**25**

Question	Answer	Marks
7(a)	**'Economic growth should be the most important macroeconomic aim.'** **Discuss this view.** *A clear definition of the term economic growth is required. Each of the four key macroeconomic goals should be clearly stated and their importance recognized. The main body of the response should focus upon whether economic growth should be considered the most important, along with supporting evidence. This evidence will examine the costs/benefits of achieving this goal in comparison to the costs/benefits of achieving alternative goals.* *Good responses will recognize that all four goals are linked and achieving/not achieving one goal might have a significant~~ly~~ impact on the potential to achieve other goals. A conclusion should be provided which considers the extent to which the statement is correct.* **L4 (9–12 marks):** For demonstrating a clear understanding of the concept of economic growth and an awareness of other key macroeconomic goals. The question requires an assessment of the importance of this particular macroeconomic goal with reference to two alternative goals. An awareness of the difficulties involved in isolating alternative macroeconomic goals might also be demonstrated. **L3 (7–8 marks):** For a clear definition of the economic growth and the identification of other important macroeconomic goals. Analysis will be provided but it will be less detailed and the links between the key macroeconomic goals will not be fully recognised. A final comment on the validity of the view under consideration might not be provided. **L2 (5–6 marks):** For a competent comment with the emphasis on describing alternative macroeconomic goals. Some limited explanation will be provided but there will be no attempt to examine the links between these goals. There will be no attempt to discuss the validity of the view. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
7(b)	**To what extent do you agree that it is not possible to solve a persistent balance of payments deficit without sacrificing other key macroeconomic aims?** *Candidates should explain what is meant by a persistent balance of payments deficit. Some emphasis should be upon the importance of the word 'persistent'. Alternative ways of solving a balance of payments deficit should be considered. Expenditure reducing, expenditure switching and direct intervention should then be discussed in the light of how these policies might impact on other macroeconomic aims. For example, an expenditure reducing policy based on raising interest rates, might have a negative effect on investment, economic growth and employment but a positive effect on inflation.* *Some attempt to address the specific question, based on the preceding analysis should then be part of a reasoned conclusion.* **L4 (9–13 marks):** For an answer which explains the potential impact of a **persistent** balance of payments. Candidates should then consider at least two potential problems relating policy decisions to other key macroeconomic goals. A conclusion should make some attempt to decide the extent to which it is possible to solve a persistent balance of payments deficit without sacrificing other key macroeconomic goals. **L3 (7–8 marks):** For an analysis which explains alternative policies available to address a persistent balance of payments deficit. Candidates should recognize at least one potential problem relating to the type of policy adopted to solve the balance of payments deficit. Also, there should be reference to, and an analysis of, the need to sacrifice at least one other macroeconomic goal. **L2 (5–6 marks):** For a less well-developed comment which describes the problem and alternative policy prescriptions but does not attempt to identify and analyse why these policies might mean that other macroeconomic goals have to be sacrificed. **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**