CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 A Level Data Response and Essays **February/March 2025**

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 February/March 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 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.

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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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Description	Use
	Tick	Correct point
	Cross	Incorrect point
	Question mark	Unclear response
	Information missing	Key information missing from response
	Knowledge & understanding	Indicates knowledge and understanding of the concepts and issues relating to the question.
	Analysis	Indicates where the answer has demonstrated analysis.
	Application	Indicates appropriate reference to the information provided
	Expansion	Expansion of point already made in response
	Effective Evaluation	Indicates where the answer has demonstrated particularly strong/justified evaluation
	Level 1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
	Level 2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
	Level 3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.

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Annotation	Description	Use
NAQ	Not answered question	Used when the answer or parts of the answer do not answer the question asked.
SEEN	Noted but no credit given	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Too vague	Used when parts of the answer are considered to be too vague to be given credit.

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.

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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**, **3**, **4** and **5**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • 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. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	11–14
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • 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. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	6–10
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • 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. • Responses show limited organisation of economic ideas.	1–5
0	No creditable response.	0

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Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**, **3**, **4** and **5**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	4–6
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–3
0	No creditable response.	0

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Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Explain what is meant by an optimum population.** The optimum size of population is an economy which, with existing natural resources/factors of production/ given state of technology, **(1)** yields the highest income per capita in a country/where the standard of life is at a maximum **(1)**	**2**
1(b)	**Explain how China's population structure changed between 1970 and 2020 and consider whether the statement 'its population is decreasing' is supported by Fig. 1.1.** References should be made to: the declining birth rate, **(1)** an ageing population **(1)** an increasing dependency ratio **(1)** Fig.1. shows population still growing/ not declining/ growing at a slower rate up to 2020 **(1).** Fig 1.1 does not support the statement that 'its population is decreasing **(1)**	**5**
1(c)	**Identify <u>two</u> observations economists have made about changes in China's population and analyse how these changes would affect GDP.** • smaller numbers of younger people **(1)** means a smaller pool of potential innovators and would-be entrepreneurs **(1)** decrease in output and productivity/negative effect on GDP **(1)** • increase in relative numbers of older people **(1)** increase in spending on providing social services **(1)** more expenditure on transfer payments leading to increase in budget deficit and negative impact on GDP **(1)**	**6**

Question	Answer	Marks
1(d)	**China's government has a different view from what it says are the alarming statements made by economists. Consider the effects on the economy of the population policies suggested by China's government.** The one-child policy was based on the assumption that China's population had increased beyond its optimum point and needed to transition to an economy based on skills, from an economy based on the size of its workforce. **(1)** The one child policy did produce a significant fall in the rate of increase of the population. However, this created challenges: an increasingly dependent population **(1);** a potential decline in savings and investment **(1);** leading to a fall in long term AS and AD **(1)** The two-child policy was introduced in 2016 to achieve economic growth and move back towards an optimum population **(1)** This policy was based on the assumption that China needed a young, skilled workforce, assisted by technology **(1)** This would make China internationally more competitive **(1)** leading to a rise in AD and AS in the long run. **(1)** A conclusion, for example, estimates based on fig 1.1 suggest that the intended effects of the two-child policy are unlikely to be achieved. **(1)** **Up to 3 marks maximum for discussing the effects of each policy.** **1 mark for a conclusion** • reverse declining birth rate : encourage couples to have 2 or more children rather than 1 child to increase fertility rate; changes AD and in long run AS • increase size of the working population to achieve an immediate impact by raising the retirement age for both men and women; may change both AD and AS • recognise that China cannot rely on cheap labour alone to remain internationally competitive. Labour is now more organised and demands higher pay and benefits (pensions) increasing variable costs. Needs skilled workers. • improve the quality of a smaller workforce though applied technology; increase productivity; needs to invest in new technology, implies educational and training reforms are essential. changes AS • increase domestic consumption to support growth that comes from exports. Gives more stability and balance to the economy. Multiplier effects on income and growth.	**7**

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Question	Answer	Marks
EITHER		
2	**Oligopolies are able to avoid price competition while maintaining supernormal profits in the long run.** **Evaluate this statement.** 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 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Key characteristics of an Oligopoly market structure. • Explanation of the kinked demand curve and price rigidity. • Recognition that Game theory might predict stable prices through Nash equilibrium. • Analysis of how barriers to entry might enable abnormal profits to be maintained in the long run. • Analysis of how collusion might enable abnormal profits to be maintained in long run. • Analysis of use of limit pricing to maintain abnormal profits in long run. • Alternatives such as non-price competition might be used to maintain profits in long run	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • Collusion to establish common prices is often illegal and also in some circumstances, difficult to maintain. • It might be difficult to maintain barriers to entry if a government introduces legislation to promote more contestable markets. • The extended use of limit pricing might have a significant negative impact on profitability in the short run which might reduce investment and dynamic efficiency in the long run. • The use of non-price competition based on advertising and/or product differentiation might be costly and significantly reduce profits. • Some Oligopolies might prefer to adopt a break-even pricing policy in the long run to increase market share, rather than maximizing profits. • A conclusion should be attempted which uses the preceding discussion to evaluate the statement under consideration Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**With the help of a diagram, evaluate the consequences of imposing an effective minimum wage on the employment level and the wage level in a monopsony labour market.** 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 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The key characteristics of a monopsony labour market should be provided • An explanation of what is meant by a minimum wage should be provided. • An accurate, clearly labelled diagram showing the effect of the introduction of a minimum wage in a monopsony labour market should be provided. • The impact of the increase of the minimum wage on both the supply of and demand for labour in a monopsony labour market should be analysed. • Analysis should be used to determine the potential impact on the level of employment and the new equilibrium wage rate **L2 Max if no relevant diagram provided.**	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • It should be recognized that the impact on wages and employment will be different depending upon the relative elasticities of demand for and supply of labour in a monopsony market. • The extent of the increase will determine the significance of the impact upon the wage level and the level of employment. • A minimum wage that increases the current wage might increase productivity, which would increase the MRP curve, increase the demand for labour and lead to even higher wage levels. • A minimum wage may lead to the closure of smaller businesses that might already be struggling trying to make a profit thus decreasing employment. • A minimum wage may raise costs which might make some businesses less competitive in global markets. • The impact of a higher minimum wage on employment will also depend upon how easy it is to substitute capital for labour and the existing proportion of capital to labour in the particular industry. • A conclusion should attempt to formulate a judgement regarding the likely net effect on wages and employment in a monopsony labour market. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**With the help of a diagram, assess the effectiveness of government policies that might be used to reduce demand-pull inflation.** 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 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A clear outline of different causes of demand-pull inflation and why inflation might cause problems. • A more detailed analysis of the causes of demand-pull inflation, can use either a monetarist or Keynesian approach, supported by an accurately labelled diagram • A description of alternative policies that a government might use to reduce demand-pull inflation, can focus upon either a Keynesian or monetarist perspective • Analysis can be used to show how a government will be able decrease aggregate demand, by appropriate fiscal policy. For example, by increasing direct taxation. This analysis might also be supported by a relevant diagram • Alternatively, a government might focus on the use of different types of monetary policy. For example, increasing interest rates, re-valuing the currency or open market operations. Accept alternative supply side policies. **L2 Max if no relevant diagram provided**	**20**

Question	Answer	Marks
4	**AO3 Evaluation** • Increasing the use of direct taxation might have a negative impact on long term economic growth and/or unemployment • Decreasing government expenditure might mean key sectors such as education and health care having a long-term negative impact on social welfare • The overall impact of contractionary fiscal policy will depend upon the state of the economy when the new policies were introduced. • Exchange rate policies which promote a re-valuation of the currency might have a negative impact on an economy's balance of payments, depending upon the Marshall-Lerner condition. This might also cause unemployment in the export producing sector. • The use of high interest rates might lead to lower levels of investment which, in turn, will have a negative impact on economic growth in the long term • A contractionary monetary might also produce additional economic outcomes. For example, a rapid fall in house prices due to the high cost of borrowing for house purchase. • A conclusion should attempt to assess the relative effectiveness of each type of policy approach and consider which approach is likely to be the most effective in the short run and then compare this with possible outcomes that might be achieved in the long run. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Question	Answer	Marks
OR		
5	**With the help of a diagram, evaluate the effectiveness of the use of expenditure-switching policies to reduce a current account deficit on the balance of payments.** 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 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • An explanation of the meaning of a current account balance of payments deficit should be provided. • Expenditure-switching policies should be explained by the relationship between changes in the market prices of imported and exported goods and services and changes in the balance of payments current account • Examples of expenditure-switching policies such as a decrease in tariffs or a devaluation of a currency in a fixed exchange rate system. • Analysis of the impact of the introduction of a tariff on the balance of payments current account. An accurately labelled diagram should be provided. • Analysis of the impact of tariffs on other key stakeholders, for example, domestic suppliers, consumers and firms should be considered. • Analysis of the use of an alternative expenditure switching policy should be provided. For example, the use of a devaluation in a fixed exchange rate system. Accept export subsidies/supply side policies. **L2 max if no relevant diagram provided.**	**20**

Question	Answer	Marks
5	**AO3 Evaluation** • It is important to establish the magnitude of the deficit and the how long this deficit has persisted before interfering in the import/export market. • Although tariffs might temporarily reduce the deficit, other countries might introduce their own tariffs in retaliation. • Tariffs might have a negative impact on other key macroeconomic variables. For example, tariffs might contribute to a growth in cost push inflation • Tariffs might lead to a net welfare loss for society as a whole. This can be shown on a clearly labelled diagram. • A devaluation of the currency will depend upon the relative price elasticities of supply/demand for imports and exports. The Marshall-Lerner condition should be explained. • A devaluation might also have a negative impact on other key macroeconomic variables. For example, a devaluation will stimulate the demand for exports, which might contribute to demand pull inflation. Or contribute to cost push inflation by raising the price of imported goods • A conclusion addressing the specific statement should be provided. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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