UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

9708 ECONOMICS

9708/41 Paper 41 (Data Response and Essays – Supplement), maximum raw mark 70

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 must be read in conjunction with the question papers and the report on the examination.

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UNIVERSITY of CAMBRIDGE
International Examinations

Section A.

1 (a) government spending/investment, private investment, [2]

(b) The information says 4% per year, rise in 3 months, therefore, is 1% (The question does not required an explanation but award 1 mark if there is an attempted explanation of annual equivalent rate, but an incorrect answer). [2]

(c) Shows $ against euro. More $ per euro, so dollar is worth less. [2]

(d) Fall in interest rates makes borrowing easier, demand for houses increases, average price of houses rises, construction industry is more likely to make profits and be willing to increase supply of houses – presuming that banks are willing to lend to consumers up to 4 if no evaluation. [6]

(e) Housing market slump could lead to increased unemployment – beginning in the construction industry but spreading to industries which supply contents for houses and materials for house building. The slump could be helped by lower interest rates. However, lower interest rates and the increase in oil prices might increase inflation. Falling interest rates could also increase spending and put further pressure on inflation. Value of dollar is declining and this causes further pressures on the balance of payments and exports. [8]

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Section B.

General Comments for section B:

The essay questions carry a maximum mark of 25. Try not to 'bunch' marks, but use the whole mark range. 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 various objectives of the examination listed in the syllabus and not purely on the ability to itemise further facts from the content of the syllabus. Marks should be awarded for the ability to demonstrate that aim b) of the syllabus has been achieved as well as aim a) – which refers to content knowledge. It is the objective of the examination, as listed in the syllabus, to assess both these aims.

An overall guide for marks for individual questions is given below; these are from a total of 25. They may be applied proportionally of course to parts of questions where the total is less than 25:

Mark 1–9 (Linked to level one in individual question notes).

1–5 where the answer is mostly irrelevant and only contains a few valid points made incidentally in an irrelevant context. There will also be substantial omissions of analysis.

6–9 where the answer shows some knowledge but does not indicate that the meaning of the question has been properly grasped. Basic errors of theory, or an inadequate development of analysis may be evident.

Mark 10–13 (Linked to level two in individual question notes).

10–11 where there is evidence of an ability to identify facts or some ability at graphs and/or a fair ability to apply known laws to new situations.

There should be an accurate although undeveloped explanation of the facts relating to the question together with an explanation of the theory, and evidence of some ability to discriminate and form elementary judgements. Do not expect a clear logical presentation. There will not be much evidence of the ability to recognise unstated assumptions, nor to examine the implications of a hypothesis, nor of the ability to organize ideas into a new unity.

12–13 where the answer has a more thorough relevance to the question but where the theory is incompletely explained.

Mark 14–17 (Linked to level 3 in individual question notes).

14–15 where there is a good knowledge of the facts and theory of the question, clear evidence of the ability to use the facts and theory with accurate reference to the question that may have presented the candidate with a novel application.

There should also be evidence, where appropriate, of the ability to examine the implications of the question and an attempt to distinguish between facts and value judgements.

Clear statements, supported by reasoned arguments should be given and there should be some attempt at a conclusion to the question. There should be a reasoned structure to the whole answer. Do not expect too many extra Illustrative points which are not explicitly referred to in the question, do not expect too much critical comment on unstated assumptions.

16–17 for an answer showing a well reasoned understanding of the question's requirements and of the relevant theory: the analysis should be sound though the illustration and development may not be very full.

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Mark 18–25 (Linked to level 4 in individual question notes).

18–20 where there is a thorough knowledge of the facts and theory with an excellent ability to describe, explain or analyse this in a precise, logical, reasoned manner. There should be an ability to query some of the assumptions in the question and clear evidence of an ability to distinguish between fact and value judgements and to draw some conclusions on the matter being discussed. Conclusions should be formed and expressed within a sound structured answer so that the whole is well presented. New illustrations and apposite examples should be introduced as further evidence of an ability to recognise the principles of the question and their application to relevant current situations.

21–25 for an answer which, given the time constraint, could not be improved significantly: it will have clear analysis, ample illustration and a good attempt at considered evaluation.

Be positive in your marking awarding marks for what is there without being too much influenced by omissions. Marks should not be deleted for inaccuracies.

Corresponding marks for sub-sections.

	1	**2**	**3**	**4**
Total mark 10	1–3	4–5	6–7	8–10
Total mark 12	1–4	5–6	7–8	9–12
Total mark 13	1–4+	5–6+	7–8+	9–13
Total mark 15	1–5	6–8	9–11	12–15

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2 (a) *Explanation of equilibrium in terms of productive efficiency and allocative efficiency.*

L4 For a clear explanation of both types of efficiency and a comment on the possibility of achieving efficiency in different market structures. [9–12]

L3 For a more limited explanation of both types of efficiency but with little comment. [7–8]

L2 For a limited attempt probably with an explanation of only productive efficiency or a more general explanation using demand and supply curves only. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis. [1–4]

(b) *Discussion of areas of market failure through lack of knowledge, imperfections, monopolies and externalities.*

L4 For a sound discussion with good explanation of the several market failures with a discussion of the resulting misallocation of resources. [9–13]

L3 For a full comment of one market failure, probably monopoly or externalities and a briefer discussion of the effect on the allocation of resources. [7–8]

L2 For a correct but very limited explanation of market failure, either with a brief examples or in general terms. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

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3 (a) *Explanation of price discrimination requiring separate markets for the same product and different elasticities for it to be profitable. Difference in the time of day.*

Could be argued to be a separate product. Different fares for different people – who may have different elasiticities of demand – on the same service does separate the market for the same product. Those who cannot buy fares in advance also face price discrimination.

L4 For a clear explanation of price discrimination with mention of both separate markets and different elasiticities. Good discussion and application to the examples given. [9–12]

L3 For a more limited explanation of price discrimination, possibly not mentioning elasiticity and a more limited consideration of the examples given. [7–8]

L2 For a very general comment on price discrimination with limited analysis and only brief comment on the examples given. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis. [1–4]

(b) *Discussion of output and pricing policy in different market structures. Market price and output in perfect competition against attempts to control the price and output in imperfect competition. Candidates could mention maximum profits, price leadership, collusion, interdependence and oligopoly, non-price competition, establishing barriers to entry.*

L4 For a reasoned and full discussion and clearly structured answer on which covers three market structures, probably perfect competition, monopoly and one other. [9–13]

L3 For a competent but less developed discussion of three market structures or a fuller discussion of two market structures. [7–8]

L2 For a limited but attempt at two market structures or a full account or one market structure. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

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4 *Discussion of the theory of wages i.e. marginal revenue productivity theory (MRP). Labour markets may be imperfect but the theory does explain imperfect markets. It does not give a definitive answer to the level of wages where negotiations exist, or where there are trade unions, or government intervention. It gives the limits between which the wage will be fixed.*

L4 For a thorough explanation of the analysis of wage determination with a clear link to the explanation of wages with discussion of institutional factors and government policy. [18–25]
(14–17 for demand and supply only without institutional factors and government policy)

L3 For a competent explanation but with limited discussion and application and imprecise conclusion. [14–17]
(10–13 for demand and supply only)

L2 For a correct but undeveloped explanation with only brief application and no real conclusion. (6–9 for demand and supply only) [10–13]

L1 For an answer which contains inaccuracies and only a few correct points. [1–9]
(1–5 for demand and supply only)

5 **(a)** *Explanation of the characteristic differences between a developing country and a developed country.*

L4 For a sound explanation and explicit comparison of the characteristics giving a good range of indicators both economic and social. [9–12]

L3 For a competent explanation but with a limited development, or a fuller development of only a few characteristics but still with an explicit comparison. [7–8]

L2 For a correct but weak explanation of the characteristics and little development. No explicit comparison given and reader is left to draw conclusions. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

(b) *Discussion using information given. Fair Trade might promote specialisation and, therefore, a better use of resources which overall, might lead to some 'conservation'. The use of home products could well cost more to produce especially if they require use of extra heat or fertilisers. The weather may not be as suitable for them and the saving in transport cost could be outweighed by extra production costs.*

L4 For a reasoned and well argued discussion with accurate development of the discussion and a reasoned conclusion. [9–13]

L3 For a clear but undeveloped discussion but one which still tries to make a conclusion. [7–8]

L2 For a limited attempt to consider the information but with no conclusion. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis are substantial. [1–4]

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6 (a) *Analysis and explanation of the working of the multiplier showing the link between investment and national income, recognising that there would be no leakages to taxes and imports in the pure market economy.*

L4 For a sound explanation with clear understanding of the principle involved. [9–12]

L3 For a competent explanation but with limited development. [7–8]

L2 For a general explanation probably in descriptive form. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

(b) *The government might wish to influence the investment by using fiscal or monetary policy. It might also influence the investment of the private sector by regulation. It can use taxes or subsidies, interest rates, regulations or controls.*

L4 For a reasoned discussion and clearly structured answer with several alternative policies. [9–13]

L3 For a competent discussion but with a more limited range of policies. [7–8]

L2 For a weaker attempt which may concentrate on only one type of policy, not present any drawbacks of that policy or not develop any wider analysis. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

7 *There are three different parts to the argument. Candidates should explain utility theory and consumer equilibrium. They should then consider whether the theory allows for account to be taken of a change in income and whether the existence of advertising, which could provide more information and increases rational choice, might be included in the theory. Even if the advertising is purely persuasive the belief that it is correct might also be considered to be the basis for a rational choice. They should then consider whether the overall conclusion of the argument is correct.*

L4 For a thorough explanation of the theory and a reasoned discussion of the results of an change in income and of the influence of advertising. [18–25]

L3 For a competent explanation of the theory but a more limited discussion of the other elements in the assertion. Probably the income aspect will be better dealt with than the advertising. [14–17]

L2 For a correct but undeveloped explanation of the theory and only a brief discussion of the other elements to the assertion. [10–13]

L4 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer is mostly irrelevant. [1–9]

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