CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2013 series

9708 ECONOMICS

9708/42 Paper 4 (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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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Section A

1 (a) Explain what is meant by collusion and when it is most likely to occur in an industry. [4]

It is an agreement between firms; maybe to fix prices, maybe to fix output by quotas, maybe both. It could be an agreement on restricting advertising. It is most likely to occur when there is a small number of firms, where it is easy to monitor, where products are similar. Two marks for definition; two marks for occurrence.

(b) Analyse, using Table 1, whether price fixing benefited Procter and Gamble. [4]

Profits in 2010 were down compared with 2009, but they rose between 2006 and 2009. The dividend rose throughout the period. Revenue fluctuated but the overall trend was up – there is no information about prices – only about overall earnings which may be partly the result of cost changes. One mark for comment on each; one mark for development of any part.

(c) Suggest why creating the advantage of large scale by 'integrating across its different businesses' might benefit a firm. [6]

Candidates could consider the advantages of integration, benefits of ordering, supply chain, administration, economies of scale, specialisation, use of resources, cost savings.

(d) Is the evidence in the article sufficient to conclude that Procter and Gamble is working against the public interest? [6]

Comment on information – Profits were down in the last year but may have been down more if there had been no collusion. This may be regarded as against the public interest. However there is no information about cost saving, or about rivals' prices/profits/costs. In favour of the public interest it might be said that P&G does research, gets top place in a stated list for its innovations – whether the list is of value is uncertain. Packaging was reduced avoiding waste; its brand names are popular with the public. A large firm may increase employment. Up to four marks for one side.

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Section B

General Comments

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 organise 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.

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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.

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.

Level	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) Explain how a consumer allocates expenditure according to the principle of equi-marginal utility and analyse how a change in income might affect that allocation. [12]

Explanation of principle of marginal utility and equi-marginal utility allocation. A change in income would shift the demand curve, depending on the nature of the good (normal/inferior). It may, but not necessarily, alter its slope. Candidates should mention both a rise and fall in income, quantity bought will change. Movements along the supply curve will cause price changes so the equilibrium utility/price ratio will change.

L4 For a reasoned explanation linked to more than one good and clearly structured answer with a conclusion about what happens as income rises and falls. (9–12)

L3 For a fair explanation but undeveloped answer; possibly with income moving in one direction with comment on effect on price/utility ratio. Or mention of rise and fall in income but unclear link to price/utility ratio. (7–8)

L2 For a limited attempt which does not clearly determine the equilibrium position for more than one good or which does determine that but expresses it as a static model and does not consider income changes. (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) Discuss how a government might achieve a more equal distribution of income. [13]

Discussion of different tax policies, of transfer payments, of subsidies and support.

L4 For a reasoned and well argued discussion with accurate development of the alternative policies. (9–13)

L3 For a clear but undeveloped discussion but one which still deals with more than one type of policy. (7–8)

L2 For a limited attempt to consider the policies with a concentration on one policy, probably tax changes, only. (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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3 In 2011, as a result of a recession, the governments of some countries reduced the wages that they paid to public sector workers. Trade unions organised mass demonstrations in protest.

Discuss how the economic theory of wage determination in perfect competition can be adapted to explain such a situation. [25]

Candidates should recognise in their discussion of the theory of the determination of wages the role of demand and supply. Perfect competition theory (using mrp) can be adapted to include institutional factors, government, and trade unions.

L4 For a thorough analysis of theoretical wage determination with a clear focus on how the theory may be adapted to include unions and/or government policy together with a conclusion. (18–25)
(14–17 for demand and supply only with institutional factors and government policy)

L3 For a competent explanation but with a more limited focus of the significance of unions and/or government factors but still with some conclusion. (14–17)
(10–13 for demand and supply)

L2 For a correct but undeveloped theoretical analysis with little comment about government and/or trade unions. (10–13)
(6–9 for demand and supply)

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

4 The combination of rapid economic growth and inflation is no coincidence.
(Source: The Times)

(a) Explain why the rapid growth and high inflation might often occur at the same time. [12]

Explanation of meaning of economic growth and its effects on national income, consumer spending, government spending and firms' investment, or foreign demand for exports which may have become cheaper. The effect on aggregate demand which will increase could cause inflation – especially if there is a pressure on resources.

L4 For a sound explanation with good application and a clear understanding of the principles involved. An explanation of economic growth should be given and a comment on the possibility of inflation. (9–12)

L3 For an accurate explanation but with a more limited development and comment on the possibility of inflation. (7–8)

L2 For a weaker explanation, briefly sketched, with no real connection to inflation. (5–6)

L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. (1–4)

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(b) Discuss what policies might be used by a government to control inflation. [13]

Analysis of fiscal and monetary policies which might be used together with a comment on their effectiveness.

L4 For a reasoned and clear discussion with the analysis logically presented and a conclusion drawn. (9–13)

L3 For a fair but undeveloped discussion possibly concentrating on limited range of policies but still with a conclusion. (7–8)

L2 For a more descriptive account with little evaluation and no conclusion. (5–6)

L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. (1–4)

5 (a) Explain what changes might occur to the age distribution and occupational structure of a population as an economy changes from developing to developed. [12]

Distribution: comment on the likely changes in the birth and death rates and in infant mortality. Occupational: The usual division of production is into primary, secondary and tertiary sectors. Developing economies move from a dependence on the agricultural sector through industrialisation. Along with this there is a growth in the service sector – industries relying on IT, call centres, tourism.

L4 For a clear explanation of the distributional changes and also of the changes in the relative importance of the productive sectors of the economy might change – with good illustration or examples. (9–12)

L3 For a less developed explanation of both aspects or a competent explanation of one of the parts of the question. (7–8)

L2 For a more general descriptive account with few examples and very brief explanation. (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) Assume that you have been given some statistics which indicate that a country has a high rate of unemployment and a dependency on international trade. Discuss whether these statistics are sufficient to indicate whether that country may be classed as developing or developed? [13]

Discussion of the characteristics of a developing country. It may be that developing countries have a high rate of unemployment and a dependency on international trade but these are not the only defining features. It might also be true that a developed country has such characteristics. Candidates should present their case and draw a conclusion.

L4 For a discussion of the overall characteristics of a developing country, production, standard of living, income levels, with a comment on the two indicators mentioned and a conclusion. (9–13)

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L3 For more limited discussion but still with a conclusion and a comment on developed countries together with a conclusion. (7–8)

L2 For a more descriptive account without much evaluation and without a conclusion. (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)

6 In 2011, one of the UK's largest multinational banks announced it would reduce the number of people it employed by 43 000 – the equivalent size of a small town. Unemployment in the UK reached nearly 3 million in 2011.

(Source: adapted from The Times)

(a) Analyse what might cause an increase in unemployment in a country. [12]

Analysis of the causes of an increase in unemployment. Although the information is essentially the same as the static causes of unemployment candidates should make some comment about the reasons for an increase in unemployment drawing attention to what might have changed to result in such an increase.

L4 For a sound explanation with a clear understanding of the principles involved dealing with at least four types of unemployment. (9–12)

L3 For an accurate but more limited explanation and minor errors in the analysis. Expect at least four types briefly explained, or three types more fully explained. (7–8)

L2 For a correct but brief explanation of three types of unemployment not necessarily logically presented. (5–6)

L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. (1–4)

(b) Discuss what impact an increase in unemployment is likely to have on an economy. [13]

Discussion of the likely impact of unemployment – reduced expenditure by consumers, but possibly increased expenditure by governments on training programmes, benefit schemes, reduced incomes, reduced rate of economic growth, social factors and impact of unemployment.

L4 For a sound discussion with good explanation of the possible outcomes with a conclusion. (9–13)

L3 For a competent comment but with limited development but still with a conclusion. (7–8)

L2 For a brief explanation and with a weak discussion and no conclusion. (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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7 The market system is not able to allocate resources efficiently.

Discuss this opinion. [25]

Candidates should explain what is meant by the market system, what is meant by resources and the meaning of efficiency. They should then discuss the areas of 'market failure' which prevent the achievement of an efficient allocation of resources.

L4 For a thorough explanation of the terms, a clear analysis of the link between them, a discussion of the possible outcome of market failure, with examples of types of market failure, and with a reasoned conclusion. (18–25)

L3 For a competent explanation which does not fully analyse either the meaning of efficiency or give a full account of the likely market failure. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion. (14–17)

L2 For an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation. (10–13)

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped. The answer will have some correct facts but include irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–9)

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