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Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the May/June 2015 series

9708 ECONOMICS

9708/43 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.

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Section A

1 (a) The charging of different prices to different customers for a product which has the same production costs. **[2]**

(b) The example given must be linked to an explanation which must involve the assumption of similar costs, the same time of sale but different prices. Departure time, day of week, month of year may involve different costs if overtime has to be paid or more seats made available. They may involve discrimination or may not if costs are not the same. Allow either if there is an explanation.
discrimination; discount card; adult/child ticket; (1)
non-discrimination; the route, rail operator, return journey time; standard/first class ticket; balcony seats/stalls seats; football games against different teams; (2) **[4]**

(c) Total market diagram showing output/price (1); two demand curves different elasticities showing different prices (2) labels (1). Or a single diagram showing first degree discrimination taking all consumer surplus. **[4]**

(d) Price discrimination needs different elasticities of demand – so there is a link to demand. (2) It also needs restricted supply to prevent competition and ensure separated markets – so there is a link to supply (2). Markets can be separated by ignorance or geography, but even if such separation occurs, it is not necessary to practise discrimination. **[4]**

(e) Discussion of advantages; for the firm of extra revenue, may enable continued production when otherwise firm would close; revenue can be used for research; for some consumers cheaper prices.
Disadvantages: may not be equitable; those who benefit from lower prices may not be the poorest; may cause inefficiency in use of resources; may involve extra administration costs for firm in separating markets. Up to 4 for development of one side. **[6]**

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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 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

Level	**1**	**2**	**3**	**4**
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13

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2 (a) Accept any relevant two, for example, demand/supply; consumer utility; equilibrium of the firm; employment of labour.

L4 (9–12) For a sound explanation of the analysis and a clear understanding of the principles involved.

L3 (7–8) For a competent comment but with limited elaboration and discussion of how equilibrium is achieved.

L2 (4–5) For a correct explanation of part of the analysis, with little development.

L1 (1–3) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.

(b) Discussion of the meaning of economic welfare, reference to efficiency; benefits of competition. Reference to market failure; recognition that if market failure occurs, welfare may be increased by government intervention.

L4 (9–13) For a reasoned and well-argued discussion with clear explanation of welfare, efficiency, market failure and a conclusion.

L3 (7–8) For a clear but undeveloped discussion with weaker account of efficiency, market failure but still with a conclusion.

L2 (5–6) For a limited attempt to consider the question but without a balanced approach and with no conclusion.

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

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3 (a) Explanation of the Law of diminishing returns and economies of scale and a recognition that the two can be used together, diminishing returns in the short run and economies of scale in the long run.

L4 (9–12) For a sound explanation of the analysis and a clear understanding of the difference between short and long run.

L3 (7–8) For a competent comment but with more limited explanation of the link between the two and of the use of short and long run.

L2 (5–6) For a brief explanation and with a weak comment of the links.

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

(b) Discussion of the various aims of the firm, profit maximising, behavioural, managerial, satisficing, and a consideration of whether these are all attempts to ensure the growth of the firm.

L4 (9–13) For a reasoned and well-argued discussion with clear explanation of different aims and their link to possible growth together with a conclusion.

L3 (7–8) For a clear but undeveloped discussion with weaker link to the desire for growth but still with a conclusion.

L2 (5–6) For a limited attempt to consider the question but without a balanced approach and with no conclusion.

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

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4 Discussion of the theory of wages. Imperfect markets would result in reduced employment and also lower wages compared with perfect markets. The investment may well cause factor substitution in favour of capital. However, productivity may go up as a result with possible beneficial effects on wages.

L4 (8–25) For a thorough explanation of the analysis of wage determination with a clear comparison between perfect and imperfect markets. Overall conclusion and well-structured answer.
(14–17 for demand and supply only)

L3 (14–17) For a competent explanation of imperfect markets but with limited discussion and comparison and imprecise conclusion.
(10–13 for demand and supply)

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

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

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5 (a) There is a distinction between monetary policy and fiscal policy. Monetary policy involves measures to influence economic activity, specifically by manipulating the supplies of money and credit and by altering rates of interest. Fiscal policy influences the economy by the use of taxation and government spending. Supply side policy aims to influence aggregate supply. Supply side policies refer to factors affecting the quantity or quality of goods and services produced. This includes the level of productivity, investment in research, the training of labour. The factors can be influenced by provision of information, tax incentives, wage legislation, regulation, deregulation, trade incentives, encouragement of new businesses, increased competition, government spending.

L4 (9–12) For a sound explanation of the analysis and a clear understanding of any distinction.

L3 (7–8) For a competent comment but with more limited explicit explanation of the distinction.

L2 (5–6) For a brief explanation and with no explicit comment on any distinction.

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

(b) Discussion of the meaning of 'changes in economic outlook' and use of monetary policy to influence demand, investment, inflation, employment.

L4 (9–13) For a reasoned and well-argued discussion with clear explanation of possible economic outlook changes and the relevance of monetary policy to them, with a conclusion.

L3 (7–8) For a clear but undeveloped discussion of economic outlook and with weaker link to the use of monetary policy still with a conclusion.

L2 (5–6) For a limited attempt to consider the question but without a balanced approach and with no conclusion.

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

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6 There are three parts to the argument. First, an explanation of labour and its link to resources. Second, an explanation of the meaning of economic welfare and a discussion of whether increases in welfare can only occur if labour supply increases. Third, a discussion of the particular case of a developing country that may have a rapidly growing population and, as a result, poverty, poor sanitation, poor health and education.

L4 (18–25) For a good explanation and a thorough discussion of all parts of the argument together with a conclusion.

L3 (14–17) For a competent explanation which does not fully explore the argument but makes some attempt at evaluation with a conclusion.

L2 (10–13) For an accurate though undeveloped explanation of the terms and a limited attempt to evaluate the argument with no real attempt to draw a conclusion.

L1 (1–9) 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.

7 (a) Investment is determined by the rate of interest, the cost and efficiency of capital equipment, changes in consumer demand and expectations.

L4 (9–12) For a good explanation with a comment on at least three determinants and their significance.

L3 (7–8) For a fair explanation but undeveloped answer covering either two of the determinants.

L2 (5–6) For a limited but acceptable attempt to consider the determinants but with little development.

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

(b) Changes in investment affect the level of GDP – the multiplier should be used to explain how this happens. Investment may increase economic growth. Discussion of the possible consequences in terms of employment, incomes, demand, international competitiveness, possible pressure on price increases, detrimental effects of growth, externalities, resource depletion.

L4 (9–13) For a reasoned and well-argued explanation of the multiplier with a clear discussion of at least three possible economic consequences with a conclusion on whether the change is always beneficial.

L3 (7–8) For a clear but undeveloped explanation of the multiplier and a weaker discussion of the consequences or a fuller discussion of two consequences but still with a conclusion on whether the change is beneficial.

L2 (5–6) For a limited attempt to consider the question but without a balanced approach and with no conclusion.

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

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