Cambridge International AS & A Level

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ECONOMICS **9708/41**

Paper 4 Data Response and Essays **May/June 2016**

MARK SCHEME

Maximum Mark: 70

Published

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Section A

1 (a) Primary down, secondary and tertiary up; candidates should give figures to support this; (3) comment on likely changes as countries develop – need to give reason why it might be typical (2) **[5]**

(b) Businesses suffer – profits could be reduced, investment limited, incomes and employment therefore reduced, consumers disadvantaged, government revenue reduced. But falling input costs are not necessarily bad. Export revenue may decline – depends on elasticity; balance of payment affected. It depends on whether there is a general price fall or a limited price fall. (one side, up to 4) **[5]**

(c) China consumes large proportion of imports of raw materials, (10 x as much as a % of GDP than other countries) so a fall in price of materials (suggested 50%) and fall in demand would support that opinion. Imports have declined. However not all manufacturing has declined and some imports of consumer durables will increase particularly if consumption spending increases. China might improve in the long run but the article does not stress this. **[4]**

(d) Candidates should make a reasoned attempt to consider any likely changes, not necessarily from the article, on employment, different incomes, standards of living, government tax revenue, rate of growth in the economy. Suggest up to 2 marks for each relevant suggestion. **[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 of course to parts of questions where the total is less than 25:

Mark 1–9 (Linked to level 1 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 2 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)

18–22 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.

23-25 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 Candidates are expected to consider the argument. First, what is meant by a perfect market system and whether it is possible. Secondly whether a complex modern economy inevitably leads to a concentration of market power, and thirdly, if this is so, whether it serves the public interest. Candidates may refute, or accept, the subsidiary conclusion about market power, or the final conclusion or both. **[25]**

L4 (18–25) For a clear consideration of each stage of the argument in the question. A reasoned conclusion should be presented.

L3 (14–17) For a competent but more limited comment on the whole argument or by concentrating on part of the argument – maybe the link between market power and public interest by discussing market failures.

L2 (10–13) For an undeveloped discussion of the argument concentrating on only one aspect and with no overall comment on the conclusion in the question.

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 contains irrelevancies and errors of theory.

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3 (a) Analysis of the meaning of utility and the analysis of the equi-marginal principle which underlies an individual demand curve. Equilibrium could be explained either with reference to marginal utility/price or by using indifference curves. **[12]**

L4 (9–12) For a reasoned analysis linked to more than one good and clearly structured answer which deals with a relation between utility, price and a given demand.

L3 (7–8) For a fair analysis of utility but an undeveloped answer which deals with more than one good but does not link equilibrium to demand.

L2 (5–6) For a limited attempt which does not clearly determine the equilibrium position for more than one good.

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 income and substitution effects and resulting demand. Both normal and inferior goods lead to consumers buying more of the product but not the same amount extra. Fewer items would be bought with a Giffen good. **[13]**

L4 (9–13) For an good discussion of income/substitution effects linked to normal, inferior and Giffen goods and clearly structured answer with a conclusion about what happens as prices change.

L3 (7–8) For a fair discussion but undeveloped answer probably dealing with two of the types of good, or not clearly distinguishing income and substitution effects but still with some comment about what happens when prices change.

L2 (5–6) For a limited attempt which does not determine the differences between the types of good or does not show the income and substitution effects.

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.

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4 The question presents an argument. Candidates should analyse whether the theory does explain differentials in wage rates, and discuss the conclusion that they should be accepted. There should be a conclusion to the candidate's argument. **[25]**

L4 (18–25) For a thorough analysis of theoretical wage determination with a clear discussion of each part of the argument, together with a comment on the conclusion of the argument. (14–17 for demand and supply only although the answer contains a full discussion of the argument)

L3 (14–17) For a competent explanation of wage theory but with a more limited discussion of the structure of the argument although the answer itself should come to a conclusion for higher marks. (10–13 for demand and supply)

L2 (10–13) For a correct but undeveloped theoretical analysis with scant comment about the structure of the argument, and no conclusion. (6–9 for demand and supply)

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

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5 (a) Analysis 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. It is more likely that economies of scale occurs in imperfect competition where large scale is possible. **[12]**

L4 (9–12) For a sound comment with good explanation of the analysis and a clear understanding of the difference. Economies of scale occur in imperfect competition, diminishing returns occur in both.

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

L2 (5–6) For a brief explanation and with a weak discussion 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) Candidates should consider whether perfect competition implies perfect knowledge and profit maximising. They should then consider whether these concepts may be found at all, or only sometimes, in monopoly, and if not, what other aims might exist. **[13]**

L4 (9–12) For a sound explanation of the analysis and a clear understanding with a conclusion (no conclusion 9 max).

L3 (7–8) For a competent comment but with limited development of the analysis and a weaker conclusion (no conclusion 7 max).

L2 (5–6) For a brief explanation of the concepts and a weak comment on the possibilities available in monopoly and no conclusion.

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.

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6 (a) Explanation of the equilibrium level of income in terms of aggregate demand and supply or injections/withdrawals. Equilibrium can be at less than full employment. **[12]**

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

L3 (7–8) For a competent comment but with limited development of the analysis.

L2 (5–6) For a brief explanation of the elements of equilibrium but poor clarity in the answer.

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) Candidates should explain the meaning of the growth rate of an economy and consider what benefits it might bring in terms of employment, incomes, standards of living, trade and wealth. They should also comment on possible drawbacks in terms of environmental change, resource use, distribution of income. **[13]**

L4 (9–13) For a sound explanation of the analysis and a clear understanding with a conclusion (no conclusion 9 max).

L3 (7–8) For a competent comment but with limited development and a weaker conclusion (no conclusion 7 max).

L2 (5–6) For a brief explanation of the meaning of growth and a one-sided presentation of its effects and results 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 will be substantial.

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7 Candidates should explain what they would consider to be important to include–for example, output, health, housing, education, crime, income distribution. They should comment on the merit of using the value of GDP, HDI or MEW as indicators of quality of life. **[25]**

L4 (18–25) For an clear explanation of the issues to be included and a discussion of the Merits and drawbacks of using alternative indicators and a reasoned conclusion.

L3 (14–17) For a competent explanation of the issues but which do not provide a developed comment on alternative indicators. There will be some discussion but the evaluation will not be extensive.

L2 (1—13) For an accurate though undeveloped explanation of the issues and a limited reference to alternative indicators.

L1 (1–9) 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.

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