Cambridge International AS & A Level

**Cambridge International Examinations**
Cambridge International Advanced Subsidiary and Advanced Level

**ECONOMICS** **9708/43**

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

MARK SCHEME

Maximum Mark: 70

**Published**

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## Section A

**1 (a)** The runway would benefit more than just those who use it. Development of idea of increased spending, trade, investment, jobs and how they might occur **[4]**

**(b)** Definition 2 comment on examples 2 **[4]**

**(c)** Motorway is used by people other than those who use airport, govt involved in large road projects–long term investment, general transport infrastructure, encouragement for economic growth, consideration of social factors. **[5]**

**(d)** Opinion–no firm statistics, initial proposal, needs more information; range of monetary value of benefits uncertain and very wide; general statement about extent of wider benefits; presumption that many airport user would travel by public transport; vague statement about pollution being within EU limits; comments on value of benefit being greater than other options is not matched by the figures produced from one alternative; no published information of comparative fares between alternative projects;

fact–they would pay compensation 25% above market rate for property; homes would be demolished–the actual number is debateable; there would be noise; more destinations would be served; cost would be lower than a completely new airport; conclusion. **[7]**

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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 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.

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**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.

**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 (a)** Explanation of meaning of indifference with reference to extra utility lost/gained. Principle of diminishing marginal utility. Analysis of comparison of one indifference curve with another; and also comparison of utility with price. **[12]**

**L4 (9–12)** For a reasoned analysis dealing with the shape of curve, different curves and link to the price

**L3 (7–8)** For a fair analysis but undeveloped answer but still with a conclusion

**L2 (6–6)** For a limited attempt which does not clearly determine the link between two curves of the importance of marginal utility

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

**(b)** Both can be used to derive the change in consumer purchases; however, demand has price and quantity of one good bought, budget lines have quantities of two goods–price is not on the axis; cannot tell how demand will change with budget line unless also show preference lines and then need to link that to another diagram.

Indifference curves have a greater possibility of showing income and substitution effects and thus are more able to distinguish between normal, inferior and Giffen goods. **[13]**

**L4 (9–13)** For a sound discussion indicating the similarities/differences

**L3 (7–8)** For an accurate explanation but with a less clear comparison/discussion

**L2 (6–6)** For a general undeveloped discussion with little comparison.

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

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**3 (a)** Explanation of types of cost, possibility of reducing average cost through economies of scale, meaning of economies of scale, consideration of whether this always occurs. **[12]**

**L4 (9–12)** For a sound explanation/consideration of each cost and link to economies and comment on possible diseconomies.

**L3 (7–8)** For a competent but undeveloped consideration of different cost.

**L2 (6–6)** For a limited explanation with some errors and little discussion of diseconomies/

**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 contestable markets and a consideration of what competition might be. Substitute alternative products should be mentioned.

Contestable markets require low barriers of entry/exit, perfectly contestable has costless entry.

Every market is contestable to some degree. Extent of contestability may affect conduct of firms in determining price and may affect productive efficiency. The greater the availability of information, the greater is the contestability. **[13]**

**L4 (9–13)** For a reasoned and well-argued discussion with accurate development of the analysis and a good application.

**L3 (7–8)** For a clear but undeveloped discussion but one which still tries to make an application.

**L2 (6–6)** For a limited attempt to consider the theory but with little application.

**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 (a)** Explanation of the theory of wages which deals with supply. If a diagram is used it should be backward bending reflecting income and substitution effects as wage rates rise. The need/wish to work rather than take holidays would be less if there is higher pay for holidays. Workers would not be so reluctant to take holidays. It would depend where the new rate falls on the curve as to whether fewer hours would be worked. The question only asks about supply, so do not expect mrp. **[12]**

**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 a limited development of the analysis, for example poor explanation of the distinction between income and substitution effect.

**L2 (6–6)** For a correct explanation of a limited part of the analysis, with no income and substitution effect.

**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)** Analysis of wage theory in imperfectly competitive labour market. The fixing of a higher wage may lead to unemployment depending on its level compared with the original wage and the extent of 'exploitation' in the fixing of the original wage. **[13]**

**L4 (9–13)** For a sound explanation of the analysis and a clear discussion of the principles involved in imperfect markets. (D/S only, no mrp, 7–8)

**L3 (7–8)** For a competent comment of an imperfect market but with a limited development/discussion of the analysis or a recognition of only one possibility.(D/S only, no mrp, 5–6)

**L2 (6–6)** For a correct explanation of a limited part of the analysis with poor discussion (D/S only, no mrp, 3–4)

**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. (D/S only 1–2)

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**5 (a)** Explanation of the link between growth, spending, demand, resource availability and pressure on prices. **[12]**

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

**L3 (7–8)** For an accurate reference to the question but with a more limited explanation and minor errors in the analysis

**L2 (6–6)** For a correct explanation but undeveloped comment, not necessarily logically presented

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

**(b)** Consideration of the value of GDP but also a discussion of other factors which might be important which are not included directly in GDP–health, housing, education, crime, income distribution. Difficulties of comparing different cultures, climates, levels of subsistence production, relative price changes. **[13]**

**L4 (9–13)** For a reasoned and clear discussion, logically presented.

**L3 (7–8)** For a fair but undeveloped discussion but with accurate reference to the question.

**L2 (6–6)** For a limited discussion with little comment.

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

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**6** Candidates should explain the link between injections and withdrawals and comment on the balance between them which forms an equilibrium. The process of change by the multiplier should be explained. They should recognise that there is an open economy with a government sector. Any reasoned discussion should be accepted. They might suggest the equilibrium changes because of tax changes, or government spending changes. Investment might change because of interest rate policy. The private sector may be influenced by regulative policy. They could also suggest that governments may encourage foreign investment or international trade. They need to relate the policy to the aim of the government to assess its merits. **[25]**

**L4 (18–25)** For a thorough discussion of the factors which are involved in the analysis of an equilibrium income involving public and private sectors in an open economy together with a discussion on the merits together with a reasoned conclusion.(weak or no conclusion 18 max).

**L3 (14–17)** For a competent discussion of the factors involved in an equilibrium. The multiplier will be explained well but the suggested relative importance of different policies will be brief. With a conclusion. Weak or no conclusion 15 max).

**L2 (10–13)** For an answer which concentrates on the first part of the question explaining what is meant by an equilibrium income; or for an answer with a weak analysis of equilibrium and the multiplier but also with a little discussion of the merits of different policies.

**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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**7** There are three elements to the question. What is meant in economics by efficiency? Is it likely that private developers use the term in the same way? Is it possible to achieve efficiency? Candidates should explain the meaning of allocative efficiency and productive efficiency; they should conjecture whether the private developers comments relate to profits rather than allocative/productive efficiency; they should discuss whether private firms achieve allocative/productive efficiency.They may mention polices that might be used to approach allocative efficiency when the market does not reflect that situation–subsidies, regulation, taxes. It might be possible to achieve productive efficiency but more difficult to measure and achieve allocative efficiency **[25]**

**L4 (18–25)** For a reasoned and clearly structured answer which gives an explanation of both types of efficiency and a discussion of the three elements to the question.

**L3 (14–17)** For a fair explanation but with a weaker or undeveloped discussion maybe dealing with two elements of the question.

**L2 (10–13)** For an answer which concentrates on the explanation but does not explore the discussion or deals very briefly with one part of the discussion.

**L1 (1–9)** For an answer which has some basic correct facts but includes irrelevancies and errors of theory.

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