Cambridge International AS & A Level

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Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/41**

Paper 4 Data Response and Essays **May/June 2017**

MARK SCHEME

Maximum Mark: 70

Published

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LEVELS OF RESPONSE MARKING DESCRIPTIONS

Please also see the mark scheme for each part of each essay, detailing the ranges of marks to be awarded for each Level, and some illustrative content.

Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L4	detailed knowledge of relevant facts and theory perceptive understanding of the specific requirements of the question throughout the answer	relevant, apposite illustrations and specific examples are introduced to add depth and fullness to the answer recognises the underlying economic concepts and principles and applies these in relevant situations to develop the answer	detailed, precise and purposeful description, explanation and analysis using appropriate economic terms and concepts correctly and fluently draws clear, reasoned conclusions a sound, well-structured answer	critical evaluation of the issues, considering relevant information and economic principles distinguishes between facts, hypotheses and/or value judgements challenges assumptions of the question or model
L3	adequate knowledge of relevant facts and theory a reasoned understanding of the question's requirements shown in the answer	some appropriate relevant illustration or examples seen but they may be quite general or not very full applies theory and facts with accurate reference to the question to develop the answer	straightforward, satisfactory analysis: generally clear statements, supported by reasoned arguments including some specific economic terms and concepts draws some conclusions a functionally organised answer	partly complete evaluation of the issues in terms of either relevant information or economic principles attempt to distinguish between facts, hypotheses and/or value judgements attempt to comment on assumptions
L2	identifies some relevant facts and/or theory the answer overall has a general relevance to the question, showing some understanding	illustration may not be fully relevant and is superficial or overgeneralised an accurate application of some related theory or fact(s), with little or no development	some analysis present but limited by omissions, error(s), irrelevant details or unclear communication conclusions may not be drawn from it a disorganised answer	some evidence of an ability to evaluate, discriminate, or to make basic judgements, considering some relevant information
L1	shows some relevant knowledge the answer indicates that the question has not been correctly understood	barely relevant, minimal or tangential illustration basic errors of theory or of fact with inadequate development	any analysis present is likely to have major errors, omissions or be mostly irrelevant	minimal or no evidence of the evaluation skills of criticism, judgement or discrimination in the answer

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Question	Answer	Marks
	Section A: Data Response	
1(a)	• group of companies/countries • acting together to fix output • and prices • selling the same good Any 3	**3**
1(b)	• It is not obviously a cartel but there is a market leader (Saudi Arabia) • over 35% world supply • output constant • with evidence from Fig.1	**4**
1(c)	• comment on Fig.2 • output has increased in 2013/14 (from text) • on D/S diagram S curve would move out • price would fall • information consistent with theory	**5**
1(d)	Winner in the short-run: • It has reduced the dependence on OPEC's oil supplies – reduces imports – and has begun to export resulting in an improved balance of trade / BOP. • Increased earnings in the USA leading to increased consumption – multiplier effect – recovery from financial crisis. (Maximum 4 marks) Loser in the long-run: • Cost of fracking may become higher (very expensive equipment) so costs become greater than world oil price – hence Saudi Arabia wants to allow the price to fall further. • Opposition to fracking (negative externalities) environmental lobby tries to curb supplies. • US$ may become too strong if its economy strengthens leading to more expensive oil for importing countries and a possible loss of markets to rival suppliers in OPEC and Russia. (Maximum 4 marks)	**8**

Question	Answer	Marks
	Section B: Essays The Essays are to be assessed using the Levels of Response approach, process and grid. The grid is generic so answers to all Essays are assessed against a common set of criteria. The mark scheme below includes some indicative content describing the most likely approaches and relevant arguments candidates may make in their answers, but there will be a large variety of relevant, valid responses seen. The mark scheme below also includes the mark bands to be used for each level for each question.	
2(a)	*Indifference curve theory shows the quantities of two goods bought as price changes; it requires a separate diagram for each good to show the quantity bought at each price. Utility theory compares the total and marginal utility to the price, the quantity bought can be shown on the same diagram.* **Level 4 (9–12 marks):** for a sound explanation of both budget lines and indifference curves and a clear link to the separate demand curve, sound explanation of link between utility, price and demand, with accurate clear diagrams and a clear understanding of the principles involved. **Level 3 (7–8 marks):** for an accurate reference to the question but with a more limited explanation, perhaps omitting a clear explanation of utility or a clear link to the demand curve, or with minor errors in the analysis or in the diagrams. **Level 2 (5–6 marks):** for a briefer explanation of the equilibrium position but with no link to the demand curve; or with inaccurate diagrams and weak explanation. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
2(b)	*Inferior goods would result in a different outcome when prices change from the outcome of a normal good, but they do not invalidate the underlying assumptions of the theory. Indifference curve theory can show more precisely why the difference occurs using income and substitution effects. Advertising does not necessarily invalidate the theory but it could be that persuasive advertising results in more being purchased at a higher price – this could still be explained using the theory as either utility is perceived as changing, or can be shown using the indifference curve diagrams. The assumptions have not changed.* **Level 4 (9–13 marks):** for a reasoned and clear discussion, logically presented dealing with income, substitution, inferior and advertising. **Level 3 (7–8 marks):** for a fair but undeveloped discussion probably concentrating on income, substitution of inferior goods or persuasive advertising, but still with a conclusion. **Level 2 (5–6 marks):** for a briefer discussion of both inferior and advertising. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

Question	Answer	Marks
3(a)	*Description of transactions, precautionary and speculative with a suggestion as to the most important. It is likely that transactions would be the most important, but expect a reason for the choice.* **Level 4 (9–12 marks):** for a sound description and a clear understanding of the principles involved together with a reasoned conclusion for the choice of most important. **Level 3 (7–8 marks):** for a competent comment with limited development of 3 reasons – up to 7. Competent comment with a choice of most important but no explanation of why – 8. **Level 2 (5–6 marks):** for a correct description but undeveloped comment with no attempt to decide on the most important. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
3(b)	*Discussion of the theory that low interest rates encourages borrowing and spending, production and employment, higher interest rates deter borrowing, Higher than expected inflation could result in a rise in interest rates to stop prices rising further because of pressure from demand.* **Level 4 (9–13 marks):** for a sound discussion and a clear understanding of the principles involved and a reasoned conclusion. **Level 3 (7–8 marks):** for a competent comment with limited development, probably a brief mention of the possible link between inflation and interest rates. max 7 without a conclusion. **Level 2 (5–6 marks):** for a limited but acceptable attempt to consider the links. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

Question	Answer	Marks
4	*Candidates should comment on the fact that in the factor market there may be a precise outcome in perfect competition but that wages are not solely determined by supply and demand when there is imperfect competition. They should then discuss how the outcome may be changed in the imperfectly competitive model to accommodate trade unions and the government.* **Level 4 (18–25 marks):** for a critique of the statement and a thorough explanation of the analysis of wage determination with a clear comparison of perfect and imperfect markets, mentioning trade unions and the government. There should be a conclusion and a well-structured answer. Must have MRP to reach L4. **Level 3 (14–17 marks):** for a weaker critique of the statement but a competent explanation of imperfect market wage determination together with a conclusion. **Level 2 (10–13 marks):** for a correct but undeveloped analysis with only a brief comparison and no real conclusion. **Level 1 (1–9 marks):** for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.	**25**

Question	Answer	Marks
5(a)	*Explanation of characteristics of developing countries with comment on GDP, industrial/agricultural structures, infrastructure, distribution of income, trading position, role of exports/imports, social indicators such as housing, health, education and a comment on the likely increase in population, population structure and use of resources.* **Level 4 (9–12 marks):** for a sound explanation with good illustrations and a clear understanding of the principles involved and a reasoned conclusion. **Level 3 (7–8 marks):** for a competent comment on both development and population. **Level 2 (5–6 marks):** for a correct explanation but undeveloped comment with only a brief mention of the problem of population growth. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
5(b)	*Discussion of health programmes, education programmes, income re-distribution, and structural change achieved through government spending, borrowing, taxation, multinational development, aid.* **Level 4 (9–13 marks):** for a reasoned and clearly structured answer covering a range of policies. **Level 3 (7–8 marks):** for a fair but undeveloped answer with limited number of policies considered. **Level 2 (5–6 marks):** for a limited but acceptable attempt to consider policies. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
6(a)	*Description of macroeconomic aims with relation to price stability, balance of payments, employment, income distribution.* **Level 4 (9–12 marks):** for a sound description with good illustration and a clear understanding of all four aims. **Level 3 (7–8 marks):** for an accurate but less developed description of four aims or a fuller description of three aims. **Level 2 (5–6 marks):** for a correct but very brief description of the aims of a fuller description of two of the aims. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
6(b)	*Discussion of link between investment and national income via multiplier, but also between income, demand and investment by the accelerator. Comment on possible differences due to differing injections, leakages, possible effect on prices rather than output of changes in investment.* **Level 4 (9–13 marks):** for a reasoned and clear discussion with accurate explanation of the theory with possible different outcomes together with a conclusion. **Level 3 (7–8 marks):** for a fair but limited discussion with less recognition of the possible different outcomes. **Level 2 (5–6 marks):** for a limited but acceptable attempt to consider part of the question, probably the multiplier effect, and with poor recognition of different outcomes. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
7	*Explanation of meaning of efficient allocation and explanation of the analysis which ensures an efficient optimum may be reached. Distinction between productive and allocative efficiency.* *Discussion of reasons for market failure and necessity/desirability of government intervention to achieve efficiency. This could be by persuasion (nudge theory) rather than by enforcement. Nudge theory, originally an ethical idea not a government manipulative tool, involves designing choices to encourage decision making in wider positive interests of society. But it can be used in government context. Government intervention itself sometimes creates inefficiency.* **Level 4 (18–25 marks):** for a thorough explanation and a reasoned discussion dealing with both aspects of efficiency and possible reasons for government intervention. A conclusion should be drawn. **Level 3 (14–17 marks):** for a competent explanation of the terms with accurate but limited discussion. **Level 2 (10–13 marks):** for a correct but undeveloped explanation with some attempt at analysis but only brief discussion with no conclusion. **Level 1 (1–9 marks):** for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.	**25**

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