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 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

Question	Answer	Marks
	Section A: Data Response	
1(a)	Any two: • no bonuses in public sector • private sector had bonuses so this increased differential • government policy to control economy/inflation	**2**
1(b)	• no truth • regular pay always rising, chart shows rate not absolute amount • rose at different rates • Up to 2 marks for: real pay fell except in 2008, small part of 2010, and end of 2014	**5**
1(c)	• wages always rising • in 2015 wages growth was higher than inflation • inflation down, productivity down • employment up • oil sales down	**5**
1(d)	Up to 2 marks for each relevant comment. Comments on effect on • demand • expenditure • GDP • international competitiveness • employment rates **(Maximum 8 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	*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. Individual actions are not always best for society as a whole. 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.* **Level 4 (18-25 marks):** for a thorough explanation and a reasoned discussion dealing with both aspects of efficiency and possible reasons for market failure/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**

Question	Answer	Marks
3(a)	*Explanation of utility, assumption of given tastes, income, relation to price, equilibrium point and quantity purchased, result of changes in price to construct demand curve.* **Level 4 (9–12 marks):** for a reasoned and clear explanation, logically presented dealing with each point and an accurate explanation of the derivation of the curve. **Level 3 (7–8 marks):** for a fair but undeveloped explanation probably concentrating on the equilibrium condition but not fully explaining the shape of the whole curve. **Level 2 (5–6 marks):** for a briefer explanation, probably not fully explaining the equilibrium and with a link to only one point on the curve. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
3(b)	*Decrease in sales tax lowers price, shifts budget line. As the tax applies to all goods the budget line will shift outwards, not necessarily parallel. Reward a discussion of a reduction in tax/price on one good.* **Level 4 (9–13 marks):** for a reasoned and clear discussion, logically presented dealing fully with effect on demand for inferior and normal good. An inferior good that is also a Giffen good will result in a fall in demand. Clear conclusion. **Level 3 (7–8 marks):** for a fair but undeveloped discussion with probably some confusion over inferior good. Inferior good may result in a fall in demand if it is a Giffen good, but not otherwise. **Level 2 (5–6 marks):** for a briefer discussion with some inaccuracies. **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
4(a)	*Explanation of terms, clear mention of short run, long run. Link between diminishing returns/marginal cost and marginal revenue. Explanation of possible increases in profit in the long run if there are economies of scale from expansion.* **Level 4 (9–12 marks):** for a sound explanation of the terms and a clear understanding of the principles involved, distinction between short/long run, link to profit. **Level 3 (7–8 marks):** for a competent explanation of the terms but a more limited development of the link to profit. **Level 2 (5–6 marks):** for a limited but acceptable attempt to consider both terms but probably with a concentration on the different types of economies of scale. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
4(b)	*Explanation of perfect competition and monopoly and discussion of the analysis of price/output decisions. Price likely to be higher, output lower and profit higher in monopoly – unless economies of scale allow a reduced price in long run monopoly.* **Level 4 (9–13 marks):** for a sound explanation of the terms and a clear understanding of the principles involved, clear comparison of two market structures, conclusion. **Level 3 (7–8 marks):** for a competent explanation of the terms but a more limited development of the short/long run, or of the differences. **Level 2 (5–6 marks):** for a limited but acceptable attempt to consider both market structures but without any explicit comparison. **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
5	*Analysis of difference between perfect competitive factor markets and imperfectly competitive markets. Wages may be increased by unions in imperfect markets without decreasing unemployment as long as it doesn't rise above point where mc=mr. This still leaves the firm with abnormal profit. Beyond this point, higher wages will result in a decrease in employment.* **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. The conclusion about employment should be clearly stated. **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 consideration of the employment position 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
6(a)	*Explanation of economic growth in terms of increase in output, shift in production possibility curve in a given time period. Comment on the nature of a developed country in terms of employment structure, average income level, relatively few poorer people, advanced technology, good infrastructure, high level of skill in the workforce, good social structure, trading position, role of exports/imports, population structure.* **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 with limited development, brief mention of population; max 7 without a conclusion. **Level 2 (5–6 marks):** for a correct but undeveloped comment with no attempt to deal with the explicit question asked. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
6(b)	*A discussion of its consequences in terms of employment, incomes, demand, international competitiveness, possible pressure on price increases, detrimental effects of growth, externalities, resource depletion.* **Level 4 (9–13 marks):** for a sound explanation of the analysis and a comment on advantages and disadvantages of growth. Structured answer with a conclusion. **Level 3 (7–8 marks):** for a competent explanation but with limited critique of advantages and disadvantages, or a concentration on the advantages of growth. **Level 2 (5–6 marks):** for a brief, correct explanation but with little critique. **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(a)	*Comment on relative worth of using GDP. Weakness of using GDP can be partly overcome by using real GDP per capita but it omits social issues – education, health, sanitation, working hours – doesn't include unpaid work, informal economy, quality of goods, types of goods, long run v. short run, environmental issues, distribution of income, sustainability. These qualitative factors are considered with other indicators.* **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 with limited development. **Level 2 (5–6 marks):** for a correct explanation but undeveloped comment with no attempt to come to a conclusion. **Level 1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
7(b)	*Distinction between the policies and comment on how changes in taxes and expenditure may affect income and the provision of facilities influencing standards of living.* **Level 4 (9–13 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 with limited development, fewer illustrations. **Level 2 (5–6 marks):** for a brief but correct analysis but hardly any critique and no conclusion. **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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