Cambridge International AS & A Level

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ECONOMICS **9708/41**

Paper 4 Data Response and Essays **May/June 2018**

MARK SCHEME

Maximum Mark: 70

Published

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

LEVELS OF RESPONSE MARKING APPROACH

The essay questions in Section B are marked using Levels of Response. They carry a maximum mark of 25 each. Most of them are split into two parts, where part (a) is worth 12 marks and part (b) is worth 13 marks. However, some essays are set as a single question worth 25 marks.

Try not to 'bunch' marks, but use the whole mark range. Do not reserve (e.g.) high Level 4 marks 'just in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, then it must be rewarded appropriately. 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 skills described in the assessment objectives and not purely on the ability to itemise further facts from the content of the syllabus. All of the essays test the four assessment objectives above.

LEVELS OF RESPONSE MARKING PROCESS

There are two steps that need to be taken in awarding the mark for the essay questions:

Step 1: Determine the level – start at the highest level and work down until you reach the level that best describes the answer. Use a 'best-fit' approach: which level does it most closely resemble overall, considering all of the assessment objectives on balance?

Step 2: Determine the mark within the level by considering the following:

- Consistently meets the criteria; clear evidence of the qualities of the level = at the top of the level
- Meets the level's criteria but with some slight inconsistency or some parts of the criteria not addressed = at the middle or above the middle of the level (depending on number of marks available)
- Just enough achievement for this level on balance = either below the middle or at the middle of the level (depending on number of marks available)
- Answer is on the borderline of this level and the one below, i.e. it there is only limited evidence it meets the criteria for this level = at the bottom of level

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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	AO1	AO2	AO3	AO4
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
1(a)	• No definite conclusion (1); • Generally positive but there are anomalies in the table, e.g. Greece has highest proportion who smoke but has a life expectancy, higher than Germany which has lower proportion smoking. UK has lowest proportion smoking but not the highest life expectancy (2).	**3**
1(b)	• If minimum price were above equilibrium price it would reduce demand; • The extent would depend on elasticity/ alcohol likely to have a relatively inelastic demand; • There could be a danger of price undercutting in an informal market; • Wider issues about effect on tax revenues/unemployment/welfare payments/possible export effects should be mentioned briefly.	**4**
1(c)	Positive supportive factors: Table shows countries with high per capita incomes do have high life expectancy rates at birth. Assumption is that higher life expectancy increases well-being. The information mentions higher levels of education, housing, health care – development of medicine to lower heart disease, diabetes and lung disease. Negative factors: Life style of richer countries – high smoking rates, high alcohol consumption, high sugar intakes leading to poorer health and a reduction in life expectancy. Conclusion: Wellbeing not just linked to income though too little income negates it. Income level of $10 000 is arbitrary and subjective. Higher satisfaction maybe due to socio-economic factors such as strong family support, growing own fruit and vegetables, healthier lifestyles.	**6**
1(d)	Indifference curve analysis states that as income increases consumers move to a new, 'higher' indifference curve and this gives more satisfaction. For normal goods the consumption would also increase as incomes increase. A diagram is not required but it is likely that candidates would explain the analysis with a diagram. Evidence is that higher incomes do not necessarily result in a higher proportion of the population smoking. The evidence is inconclusive whether a higher level of income for an individual resulted in an increased demand (as would be expected by the theory) as the figures are overall averages and show differences between countries rather than an increase in income in any one country.	**7**

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Question	Answer	Marks
2(a)	*Explanation of meaning of efficiency and explanation of the analysis which ensures an efficient optimum may be reached. Productive and allocative efficiency are intended. Its attainment is considered important as it makes the best use of resources and allocative efficiency ensures that no one can be made better off without someone being worse off.* **L4 (9–12):** for a thorough explanation dealing with productive and allocative efficiency and a comment on the importance of both concepts **L3 (7–8):** for a competent but less developed explanation of the terms with accurate but limited comment on the importance **L2 (5–6)**: for a correct but brief explanation with some attempt at analysis possibly with only one type of efficiency correctly elaborated, no comment on importance **L1 (1–4):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**12**
2(b)	*Individual actions are not always best for society as a whole. Discussion of reasons for market failure and hence the necessity/desirability of government intervention to achieve efficiency. Intervention could be by persuasion (nudge theory) rather than by enforcement, by designing choices to encourage decision-making in wider positive interests of society. Government intervention may thus be necessary, but it might not be sufficient to overcome inefficiency as there can be inefficiency in government through lack of information.* **L4 (9–13):** for an accurate discussion of market failure, with examples and a conclusion about the need for government intervention and whether such intervention is a sufficient solution **L3 (7–8):** for a more limited discussion of the reasons for market failure and the need for the government but without a comment on whether such intervention is sufficient to overcome market failure **L2 (5–6):** for a brief analysis of market failure with few examples and no conclusion about necessity or sufficiency **L1 (1–4):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**13**

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Question	Answer	Marks
3(a)	*Explanation of distinction mentioning barriers to entry, ability to control prices, information, whether products are identical, numbers of firms. Diagrams can be in either perfect competition or monopoly relating average revenue to average cost at maximum profit output. Supernormal possible in short run in perfect competition will be competed away in long run by entry of new firms and increase in supply.* **L4 (9–12):** for clear distinction between the markets, clear diagram and clear explanation of increased competition and normal profit in the long run through increased supply **L3 (7–8):** for a less developed answer mentioning only some of the different criteria for the markets, or not fully explaining the short and long run position **L2 (5–6):** for a briefer explanation, or an inaccurate diagram, or an omission of the long run position **L1 (1–4):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory	**12**
3(b)	*Discussion of alternative aims; behavioural, managerial, satisficing. These will not occur in perfect competition. Prisoner's dilemma involves cooperation for maximum benefit so requires the ability to trust other participants in decision-making.* **L4 (9–13):** for a clear comment on two different aims and a consideration of the second part of the question **L3 (7–8):** for a weaker comment on two aims and a briefer comment on the second part of the question **L2 (5–6):** for a brief undeveloped answer about the aims and very scant comment on the second part of the question **L1 (1–4):** 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	*Candidates should consider each part of the statement. The theory of wage determination should be explained and a comment given on how the outcome may be affected by the existence of trade union bargaining, by minimum wages affecting the supply, by large monopsonies forcing down wages from the competitive level. A conclusion of the possible usefulness of the theory should be given.* **L4 (18–25):** for a critique of the statement and a thorough explanation of the analysis of wage determination with a clear comment on how unions, minimum wages and large monopsonistic businesses may be incorporated into the theory. There should be a conclusion and a well-structured answer. Must have MRP to reach L4. **L3 (14–17):** for a weaker critique of the statement mentioning either all three elements less rigorously or two elements more fully. There should still be a competent explanation of imperfect markets together with a conclusion. **L2 (10–13):** for a correct but undeveloped analysis with much briefer critique of the statement. Max 11 without a conclusion. **L1 (1–9):** 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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Question	Answer	Marks
5(a)	*Structural unemployment arises from changes in the pattern of demand in an economy and is usually focused upon specific industries or geographical areas. It can also be caused by the introduction of new technology acting as a substitute for labour. Frictional (or search) unemployment arises due to imperfect information in the labour market. Workers are unemployed primarily due to the time taken to find a new job. Both types have a negative impact on an economy but it is generally assumed that structural unemployment will have a long-term impact and impose higher costs on society compared with frictional unemployment which normally lasts a relatively short time. Hence, it may be concluded that structural unemployment is likely to cause the greater negative impact.* **L4 (9–12):** for a clear explanation of both types of unemployment and their main differences. A conclusion as to which type has the greater negative effect, supported by an appropriate rationale **L3 (7–8):** for a clear explanation of the differences between both types of unemployment and a conclusion which is stated rather than supported by an appropriate rationale **L2 (5–6):** for a clear distinction between both types of unemployment but no comment on the effect on the economy **L1 (1–4):** 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	**12**

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Question	Answer	Marks
5(b)	*Supply side polices are government policies that attempt to alter the level of aggregate supply directly rather than through changes in aggregate demand. They can be market oriented or through direct government intervention. Interventionist policies might include: education and training. Market policies might include taxation; reduction in unemployment benefits – these policies would aim to increase labour geographical/occupation mobility and enable specific focus on unemployment caused by changes in the pattern of demand. Alternative policies such as Keynesian demand management policies would not be suitable because they would lack focus and may cause problems in those areas which are not experiencing high unemployment. However, supply-side policies often take a long time and they are frequently costly.* **L4 (9–13):** for a discussion of the extent of the effectiveness of supply-side polices with some attempt to compare alternative demand management policies and some attempt to identify potential problems such as, the long time period needed for success or the high cost of intervention. There should be a conclusion. **L3 (7–8):** for an analysis of how different supply-side policies would work and some attempt to explain why they would be the most appropriate strategy to solve structural unemployment. Max 7 if no conclusion **L2 (5–6):** for an answer that identifies a range of alternative supply-side policies but does not explain how these policies would work to solve the particular problem of structural unemployment, and no comparison or conclusion **L1 (1–4):** 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.	**13**

Question	Answer	Marks
6(a)	*There are many definitions of the money supply. The narrow definition includes notes and coins in circulation and balances held by the commercial banks at the central bank. The more commonly used broad definition includes notes and coins in circulation and bank deposits. Bank deposits represent the largest part of the money supply. Commercial banks create new bank deposits every time they grant a loan. It is profitable for banks to create loans, so banks often have a significant effect on the broad definition of the money supply. However, there are limits to the ability of banks to create new deposits. These might include: the willingness of borrowers to borrow; leakages of funds (loans not re-deposited); the need for banks to maintain a safe amount of liquid assets; restrictions upon lending imposed by governments.* **L4 (9–12):** for an answer that recognises that there are a number of limitations to the ability of commercial banks to create new deposits. Should refer to at least two reasons why commercial banks' ability to influence the money supply might be limited **L3 (7–8):** for an answer that analyses how banks can create money by granting loans and why banks have an incentive to do this. Might also refer to the importance of the bank credit multiplier **L2 (5–6):** for an answer that recognises that there are different definitions of the money supply and that the most important measure includes bank deposits which also account for the biggest proportion of this measure **L1 (1–4):** 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	**12**

Question	Answer	Marks
6(b)	*Candidates should explain what quantitative easing means and how it is used to influence interest rates and the money supply. Links should then be established between these changes and changes in the level of employment and the rate of inflation. Some discussion should then be applied to possible short-run effects on the economy and also some potential long-run effects. In each case candidates are expected to evaluate key relevant factors and draw a conclusion in relation to the statement under consideration.* **L4 (9–13):** for an answer that attempts to distinguish between short-run effects on the level of employment and the potential long-run effects on inflation. Evaluative comment should be used to decide how far the candidate agrees with the statement and a relevant conclusion should be provided **L3 (7–8):** for an answer that critically analyses the way in which quantitative easing is supposed to work and how it might have worked in practice **L2 (5–6)**: for an answer that explains what quantitative easing means and how it can be used to influence interest rates and possibly the money supply **L1 (1–4):** 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	**13**

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Question	Answer	Marks
7	*The statement refers to developed and developing economies and some performance indicators. Candidates should clearly explain the difference between these terms. Answers should also recognise the links between developed and developing economies and the indicators. It should be recognised that although key performance indicators might be similar, it is often for different reasons and these reasons should be explained. Key elements of developing economies should also be identified to support the conclusion that significant differences between the two types of economy remain, regardless of the similarity of the performance indicators.* **L4 (18–25):** for an answer that attempts to discuss key differences between developed and developing economies which do not necessarily relate to performance indicators. A conclusion should be produced which emerges out of the discussion **L3 (14–17):** for an answer that analyses the relation between different indicators and different types of economy. For example, causes of balance of payments deficits in developing economies are likely to be significantly different from those in a developed economy. This should be examined in relation to at least two indicators mentioned **L2 (10–13):** for an answer that provides a basic description of the terms developed and developing and the possible differences in inflation unemployment and balance of payments deficits **L1 (1–9):** 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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