Cambridge International AS & A Level

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Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/42**

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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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)	• education • healthcare • social welfare **1+1**	**2**
1(b)	• up to 2 for a diagram – showing maximum price • up to 2 for comment – effect on consumers → shortages • up to 2 for elaboration of monopoly situation (diagram + comment) **2+2+2**	**6**
1(c)	**Developed explanations of problems** • up to 3 for costs of distribution higher → lower production, less competitive prices • up to 3 for transport problems prevent business expansion → inefficient production, higher costs, lower profits **Max 5 marks**	**5**
1(d)	• up to 4 for explaining direct effect of improved infrastructure e.g. education, healthcare, social welfare, transport, electricity → improves workforce skills/workforce health/reduces costs of production/improves efficiency. This leads to increases in Indonesia's productivity outwards shift of Indonesia PPF/LRAS/AD and increase in overall economic capacity. • up to 3 for discussion about the impact on either short term GDP growth as infrastructure spending may boost AD in SR stimulating actual growth but there may be an opportunity cost or long term GDP. as in the LR capacity will increase and there is potential increase in GDP but AD will have to rise to prevent unemployment. **4+3**	**7**

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Question	Answer	Marks
Section B: Essays The Essays are to be assessed using the Levels of Response approach, process and generic grid of descriptions. The descriptions in the grid are generic so that answers to all Essays are assessed against a common set of criteria. The mark scheme for the Essays includes indicative content describing the likely approaches and relevant arguments candidates may make in their answers, but there will be a variety of relevant, valid responses seen. The mark scheme also includes the mark bands to be used for each level for each question.		
2(a)	*The marginal rate of substitution between two goods is the 'linking' concept. Explanation of utility theory and indifference curves. Because of diminishing marginal utility, the MRS is not constant and this explains the shape of the indifference curve.* **L4 (9–12 marks)** For a reasoned and clear explanation of the concepts together with diagrams to illustrate them. Explicit reference to the linkage required. **L3 (7–8 marks)** For a competent comment but with a limited elaboration of the two concepts, or a reasoned and clear explanation of one concept and limited mention of the other. **L2 (5–6 marks)** For a superficial explanation concentrating on general concepts with only limited relevant reference to the question. **L1 (1–4 marks)** For an answer which has a few basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
2(b)	*Indirect tax increases the relative price of a good and there will be both income and substitution effects. These must be shown using indifference curves. Discussion of relative size of income and substitution effects for normal and inferior goods.* **L4 (9–13 marks)** For a thorough explanation of the impact of the indirect tax on both types of good together with relevant diagrams. A discussion on the substitution and income effects of the tax increase. Maximum 11 if no conclusion. **L3 (7–8 marks)** For a competent explanation which does not fully analyse both types of goods. Full analysis of one type and limited analysis of the other. **L2 (5–6 marks)** For an accurate though undeveloped comment concentrating on only one type of good. **L1 (1–4 marks)** 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.	**13**

Question	Answer	Marks
3	*Explanation of oligopoly market structure, which gives rise to uncertainty and interdependence. Discussion of methods used to reduce these problems (Collusion, Non-price competition or Other) and the impact of these on the consumer.* **L4 (18–25 marks)** For discussion of the methods used in oligopolistic competition to reduce uncertainty and interdependence and which considers the likely impact on the consumer. Maximum 21 if no conclusion. **L3 (14–17 marks)** For a competent analysis and a more limited discussion of the methods used and their impact on the consumer. **L2 (10–13 marks)** For accurate though undeveloped explanation. **L1 (1–9 marks)** 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.	**25**

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Question	Answer	Marks
4(a)	*The demand for labour is derived from MRP (MPP X MR). The MRP includes the MR of selling the product so it is important to consider whether the firm is a price-taker (and hence facing a constant MR) or has a downward sloping MR curve.* **L4 (9–12 marks)** For an explanation of the derivation of the demand curve for labour and a comment on the effect of the difference of MR in 2 different types of product market. **L3 (7–8 marks)** For an explanation of the derivation of the demand curve for labour and its link to one type of product market. **L2 (5–6 marks)** For an explanation of the derivation of the demand curve for labour. **L1 (1–4 marks)** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
4(b)	*Discussion of whether TU negotiations lead to (i) rising unemployment (ii) the circumstances in bilateral monopoly where a TU with sufficient power can negotiate both higher wages and higher employment or (iii) closed shop.* **L4 (9–13 marks)** For a thorough discussion of both situations. Maximum 11 no conclusion. **L3 (7–8 marks)** For a competent explanation a full analysis of one situation or a partial analysis of two sides. **L2 (5–6 marks)** For an accurate though undeveloped explanation concentrating on only one side. **L1 (1–4 marks)** 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.	**13**

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Question	Answer	Marks
5(a)	*Actual growth is an increase in the volume of goods and services produced. Firms increase their output, while consumption, investment and exports are increasing.* *Potential growth is an increase in the capacity of an economy to produce goods and services.* *Reference to short run and long run and comment on link to production possibility or aggregate demand.* **L4 (9–12 marks)** For a sound explanation of both terms and a clear understanding of the differences. **L3 (7–8 marks)** For an accurate explanation on one term and limited explanation of the other. **L2 (5–6 marks)** For an accurate explanation of one term or a weak explanation of both terms. **L1 (1–4 marks)** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
5(b)	*A discussion of the benefits of economic growth e.g. rising GDP, improving standard of living, better health, longer lifespans.* *A discussion of the costs of economic growth e.g., pollution, congestion, increase in working hours.* **L4 (9–13 marks)** For a thorough discussion of both sides of the issue. Maximum11 if no conclusion. **L3 (7–8 marks)** For a competent comment which does not fully analyse both sides. An analysis of one side and limited analysis of the other. **L2 (5–6 marks)** For an accurate though undeveloped comment concentrating on one side. **L1 (1–4 marks)** 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.	**13**

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Question	Answer	Marks
6(a)	*Explanation of the causes of both terms and a consideration of how their causes may differ.* **L4 (9–12 marks)** For a sound explanation of two causes of recession and two causes of inflation and reference to how they may differ. **L3 (7–8 marks)** For a competent explanation of two causes of one term and one cause of the other. **L2 (5–6 marks)** For an explanation of one cause of each term or two causes of one term. **L1 (1–4 marks)** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
6(b)	*A discussion of the role of monetary policy in correcting a recession and of alternative approaches.* **L4 (9–13 marks)** For a thorough discussion of monetary policy and at least one alternative. Maximum of 11, if no conclusion. **L3 (7–8 marks)** An analysis of monetary policy and awareness of another policy. **L2 (5–6 marks)** For an accurate though undeveloped explanation concentrating on only monetary policy. **L1 (1–4 marks)** 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.	**13**

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Question	Answer	Marks
7	*An explanation of productive and allocative efficiency. A discussion of the free market economy and its limitations. The role and limitations of government in controlling the market.* **L4 (18–25 marks)** For a discussion of both efficiencies which considers the effects of competition in achieving them. Two or more alternative forms of market failure and the application of government policies to reduce them. Maximum 21, if no conclusions. **L3 (14–17 marks)** For a discussion of efficiency with a single form of market failure. A brief reference to the need for government. **L2 (10–13 marks)** For an accurate though undeveloped explanation of efficiencies, market failure and/or government intervention. **L1 (1–9 marks)** 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.	**25**

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