CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **May/June 2024**

MARK SCHEME

Maximum Mark: 60

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.

Cambridge International will not enter into discussions about these mark schemes.

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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 descriptions 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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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Assessment objectives

AO1 Knowledge and understanding

- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis

- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation

- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2**, **3**, **4** and **5**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	11–14
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	6–10
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–5
0	No creditable response.	0

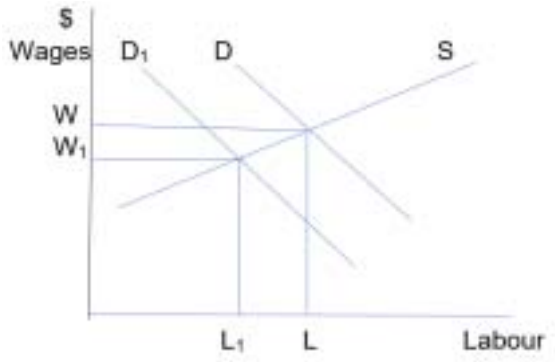
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Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**, **3**, **4** and **5**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	4–6
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–3
0	No creditable response.	0

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Question	Answer	Marks
1(a)	**Explain what is meant by internal economies of scale, using an example from the information.** Internal economies of scale are a reduction in long run average costs (LRAC) **1** as the firm increases its output **1** Technical economies **or** Purchasing economies **1** Candidates may use Better electrode design, etc from the information **1**	**3**
1(b)	**Consider what is meant by minimum efficient scale and to what extent the data in Table 1.1 suggest this has been achieved.** Minimum efficient scale (MES) is the first output level on the long run average cost (LRAC) curve when further reductions in average costs no longer take place. **1** Technology A suggests that MES has not been reached. **1** Technology B suggests that MES may have been reached. **1.**	**3**
1(c)	**Analyse, with the aid of a diagram, the likely impact of the change to EV on the labour market for workers producing ICE in southern Germany.** • Identifies the unemployment as Structural / Occupational **1**, • This will reduce wages as demand falls. **1** Need for re-training **1**  **Diagram award marks as follows:** Shift of demand from D to D_1 (1) Shows a fall in wages W to W_1 **and** Fall in labour L to L_1 / increase in unemployment (1) Axes/labels (1)	**6**

Question	Answer	Marks
1(d)	**Evaluate, the likely macroeconomic effects of the switch to EV for both Saudi Arabia and Singapore.** S Arabia: exports reduced **1,** X-M of AD reduced **1,** expect level of output to fall **1**, governments may increase G to offset fall in exports **1,** supply may be restricted to maintain price of oil and X-M remains indeterminate **1**. **Max 3** Singapore: taxation receipts reduced **1** the pattern of consumption may change **1,** but government spending may decrease to offset fall in tax revenue **1.** Taxation may increase for other goods or on income.**1** Budget deficit **1 Max 3** **Evaluation 2 marks** **e.g.** S'Pore: Effect depends on whether electricity to fuel EV is produced by alternatives to oil. **1** Saudi Arabia, S'pore: Effect depends upon alternative source of taxation revenue. **1** Needs a different evaluative comment for S Arabia and S'pore 2 x 1mark **Accept all valid responses.**	**8**

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Question	Answer	Marks
EITHER		
2	**Market failure exists in all economies.** **Evaluate, with the aid of a diagram(s), the meaning of market failure and <u>two</u> policies a government may use to correct market failure.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Identification and explanation of market failure regarding this question may relate to allocative inefficiency, productive inefficiency or information failure. Market failure can be explained by defining allocative efficiency and linking this to the requirement to allocate resources to maximise consumer satisfaction. This can be supported by a diagram illustrating a level of output where AR = MC or MSB = MSC which is consistent with an outcome that achieves allocative efficiency. • Productive inefficiency occurs when the firm is not producing at its minimum average costs. Forms of competition other than perfect competition may be used to show both the lack of allocative and productive efficiency. • Government intervention takes place to address the failure of market • forces to allocate resources efficiently. In this case positive externalities would lead to under-consumption of a good or service. The negative externality leads to an over production of the good. • A wide range of government intervention can be used to correct market failure. These may include: subsidies to increase consumption indirect taxation producers use of advertising the direct provision of goods and services price restrictions/quantity direction A clearly labelled, accurate diagram can be used to show the impact of a positive/negative externality on the level of output and the welfare change will be identified. • The diagram could show the market equilibrium point which does not take into account the existence of market failure and may compare this with the efficient level of output when the market failure is taken into account. • The diagram may be amended or re-drawn to show the impact of a chosen policy(ies) and the impact on consumption or production shown. • Reference to the diagram and the outcomes it illustrates showed be made in the text.	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • A government might introduce a subsidy/indirect tax to encourage consumers/producers to change behaviour, however it is difficult to measure the precise value of the subsidy/indirect tax. • Subsidies are costly in that the funds might have been used by governments for other purposes. This means governments will have to make a value judgement when deciding whether to provide a subsidy. • Indirect taxes may be used to offset the effect of the market failure. • Also, the impact on price and output in some circumstances takes a long • time to become effective depending on the length of contract or production process. • Advertising is often costly and it is not always certain that it will have a sufficiently persuasive effect to ensure the correct level of output/ consumption is reached. • Direct provision is also costly and sometimes less efficient than that provided through market forces. • It is possible to show that government intervention can reduce the level of inefficiency caused by the existence of positive externalities, but it is not clear whether the net effect of government intervention will always be positive. Some types of intervention will be more effective than others depending on the nature of the good/service under consideration. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**Evaluate, with the aid of a diagram(s), whether excess profit (super-normal profit) is always necessary for the continued existence of firms in perfect competition and monopoly.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: • Definitions of perfect competition and monopoly. The assumptions/characteristics of perfect competition and monopoly. Understanding of the difference between the short run (SR) and the long run (LR). • The implications of the assumptions/characteristics for changes in the SR/LR • Analysis of the short-run equilibrium for both a perfectly competitive firm and a monopoly. • Illustration of the ability of firms in both forms of market structure to earn excess profits in the short run and long run. Consideration of the long-run: the change in equilibrium for a perfectly competitive firm and the lack of change in that of a monopoly. • The diagram could show the market equilibrium for both the short-run and long-run for both perfect competition and monopoly. • Reference to the diagram(s) and the outcomes illustrated should be made in the text. **AO3 Evaluation** • SNP are not controlled by the firm in perfect competition but a product of increased demand to which the firm reacts by equating MR to MC. The nature of SNP is transitory. • In monopoly the firm will secure long-term SNP by pursuing profit maximization MR = MC. SNP are long term. • The monopolist may use the SNP to realise dynamic efficiency such as investing in better production techniques. • The monopolist may not fully exploit the ability to extract SNP but may pursue alternative strategies such as sales revenue maximization. • Natural monopoly may exist and therefore SNP may not be earned. • Monopolies may not necessarily earn supernormal profits. Accept all valid responses.	**20**

Question	Answer	Marks
EITHER		
4	**In 2022, many countries experienced a high rate of inflation caused by disruptions to the supply of goods and services arising from the Covid-19 pandemic and the conflict between Russia and Ukraine. In one country, the government cut taxes and the central bank raised interest rates.** **Evaluate the likely impact of these policies on that government's ability to control inflation**. Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • An understanding that the stated causes of inflation are due to a reduction in supply for the countries experiencing the inflation. This may be regarded as cost-push/imported inflation. • Analysis of the effect of the causes in terms of an aggregate supply (AS)/aggregate demand (AD) analysis **or** a Leakages and Injections approach. • An explanation of the impact of tax reduction on consumer demand or retained profits for industry. • An explanation of the impact of higher interest rates either on consumer demand or on investment. This can be developed either through the monetary transmission mechanism analysis or AS/AD analysis. • An explanation of the impact of lower taxes on consumer demand or on investment. This can be developed through AS/AD analysis. • AS/AD Explanation and analysis of the effects of tax reductions and Interest rate on economic growth and unemployment/equality.	**20**

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Question	Answer	Marks
4	**AO3 Evaluation** • Evaluation may be concerned with the effects of the changes produced by the two policies and the effects on the analyses used to reduce inflation. • An initial analysis of the policy approach to reducing the level of inflation which may be in terms of how accurate the government is in determining the amount of spending reduction or increase in the rate of interest required. • An initial analysis of the policy approach to reducing the level of inflation which may be in terms of how accurate the government is in determining the amount of spending reduction or increase in the rate of interest required. • The time lags between policy implementation and outcome may also be discussed as might expectation and the role they play in determining policy outcomes. • Recognition that the policies are concerned with AD and the problems are largely due to supply shortages. • The short run and long run implications of the policies on achieving the alternative aims may be evaluated. • The opportunity costs of policies may be commented upon. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Question	Answer	Marks
OR		
5	**Evaluate the likely impact of globalisation on a low-income country's standard of living.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Definitions of globalisation in terms of the development of world-wide international trade links: the flow of goods, services capital and people between countries. The sub-division of manufacturing processes which are then undertaken in different countries. Candidates may quote phone, car manufacturing, world football brands, law firms as examples. • Definition of a low income country. • An understanding of the difference effects of globalisation as resource extraction and manufacturing activity. • Definition of the standard of living in terms of both material real GNI per head and what that may purchase and non-material improvements in life: social, health education and working conditions. • Effect of globalisation of long term (potential) economic growth shown by a rightward shift of the production possibility frontier (PPF). • Sources of funding for globalisation: government foreign aid, MNCs and Commercial loans. • Analysis of investment on a country's national income reference to the circular flow of income Injections, the Multiplier, or an AD/AS analysis. • The analysis extends to explain the effect on other economic variables: employment, interest rates, the balance of payments. • Impact of increased investment on a country 's aggregate supply/PPF.	**20**

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Question	Answer	Marks
5	**AO3 Evaluation** • Destruction of host country's indigenous industry by large scale production. Negative impact on employment exceeds benefit of employment. • Globalisation may establish a local Monopoly which exploits the consumers with higher prices and lower output. • Globalisation may lead to MNC using transfer pricing to remove profits from developing country to tax haven reducing the ability of a developing country to invest in education and health. • The jobs created may be low-skilled with the multinational employing expatriate workers for the more senior and skilled roles. • Resources are exploited without regard for local customs. Iron ore extraction in Australia destroyed sacred aboriginal site. The forcible removal of indigenous people to allow for resource extraction. • Private capital is often reluctant to allow debt forgiveness when economic trouble affects a country e.g., Sri Lanka. • The positive and negative effects on economic variables: employment, interest rates, the balance of payments.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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