CAMBRIDGE
International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/42**

Paper 4 A Level Data Response and Essay **May/June 2025**

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.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.



© Cambridge University Press & Assessment 2025 

## 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.

© Cambridge University Press & Assessment 2025 

## 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.

© Cambridge University Press & Assessment 2025 

**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.

© Cambridge University Press & Assessment 2025 

## Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

## Annotations

| Annotation | Use |
|---|---|
|  | Correct point |
|  | Incorrect point |
|  | Unclear response |
| ^ | Key information missing from response |
| K | Indicates knowledge and understanding of the concepts and issues relating to the question. |
| AN | Indicates where the answer has demonstrated analysis. |
| APP | Indicates appropriate reference to the information provided |
| E | Expansion of point already made in response |
| EVAL | Indicates where the answer has demonstrated evaluation |
| EE | Indicates where the answer has demonstrated particularly strong/justified evaluation |
| L1 | For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, **Table A** |
| L2 | For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, **Table A** |
| L3 | For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, **Table A** |
| BOD | Used when the benefit of the doubt is given in order to reward a response. |
| NAQ | Used when the answer or parts of the answer do not answer the question asked. |

© Cambridge University Press & Assessment 2025

| | |
|---|---|
| SEEN | Indicates that the page or content has been seen by examiner, but no credit given. |
| TV | Used when parts of the answer are considered to be too vague to be given credit. |

© Cambridge University Press & Assessment 2025 

**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.<br>• The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations.<br>• 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.<br>• 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.<br>• The response addresses the general theme of the question and the relevant economic issues, with limited development.<br>• 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.<br>• 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.<br>• The response has little relevance to the question.<br>• 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.<br>• Responses show limited organisation of economic ideas. | **1–5** |
| **0** | No creditable response. | **0** |

**Table B: AO3 Evaluation**

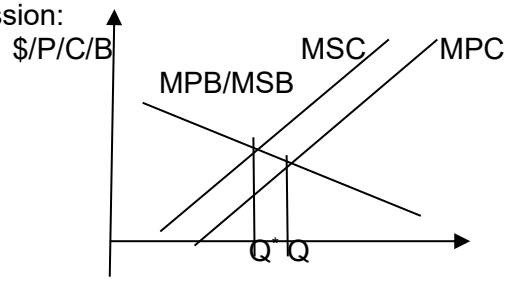
Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**, **3**, **4** and **5**.

| Level | Description | Marks |
|---|---|---|
| **2** | • Provides a justified conclusion or judgement that addresses the specific requirements of the question.<br>• 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.<br>• Makes simple evaluative comment(s) with no development and little supporting evidence. | **1–3** |
| **0** | No creditable response. | **0** |

**Section A Data response**

| Question | Answer | Marks |
|---|---|---|
| Follow the point-based marking guidance at the top of this mark scheme. | | |
| 1(a) | **Define economic sustainability and give <u>one</u> example from the information of a change that can be used to illustrate it.**<br><br>Definition **1** Economic sustainability is current economic activity which does not compromise the ability of future generations to meet their needs.<br><br>Illustration **1** Use of alternative sources of fuel to coal to save damage to the environment. | **2** |
| 1(b) | **Use the information to comment on the possible effects on the economies of the countries that refused to sign the carbon policy agreement.**<br><br>Those countries are some of the top producers of coal. (1)<br><br>**Advantages:**<br>Cheapness as a power source **1** enabling them to increase/maintaining GDP/Economic Growth **1**.<br>Reliable source of power**1** enabling continuity of production **1**.<br>Coal supplies can be stored and managed **1** to meet demand for electricity **1**.<br><br>**Disadvantages:**<br>Coal is a finite resource **1** and therefore there are future costs of switching **1**.<br>Continuation of the output of negative externalities **1** e.g. carbon dioxide/greenhouse/toxic gases/lower air quality **1**.<br><br>**4 max** | **4** |
| 1(c) | **Discuss why the article says that 'China is a country of contradictions'.**<br><br>China undermines aim of World Climate Summit because of its policy of using mainly coal (70 %) and other fossil fuels to produce electricity.**1** This accounts for large scale emissions of pollutants (31 % of world total). **1.** Use of coal projected to increase to record level in 2022 (**1**) **2 max**<br><br>China has stated that it will not sacrifice economic growth, which has been relatively high at 8.3 %, in order to reduce reliance on coal. (**1**)<br><br>By contrast, China is investing in 'green' technologies – solar, wind, hydro-electric, **1** and is a leading user of electric cars and a leading manufacturer of wind turbines (exports). **1** **2 max**<br><br>Refuses to sign agreement **1** | **4** |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| 1(d) | **With the help of a marginal social cost and benefit diagram discuss whether the continued use of coal to produce electricity makes the achievement of allocative efficiency less likely.**<br><br>Definitions of: private cost **1**, external cost/social cost, **1** allocative efficiency **1.**<br><br>External costs of coal/'dirty fuel'/greenhouse gases/pollution **1**<br>3 countries produce 52 % of global $CO_2$ emissions from coal use **1**<br><br>Discussion:<br><br><br>Output/Quantity<br><br>Coal production/burning has negative externalities which mean MSC is greater than MPC. **1**<br><br>**Conclusion:** This means the allocative efficient output is Q* not Q**/**allocative efficiency is not achieved **1.**<br><br>Correct axes with correct drawing and labels of MPB/MSB and MSC, MPC **1**<br>Indication of Externality/Welfare loss **1** Correct identification of $Q^*$ and Q **1** | **10** |

| Question | Answer | Marks |
|---|---|---|
| **EITHER** | | |
| 2 | **Monopolies restrict output to raise prices and exploit consumers.**<br><br>**With the help of a diagram, assess the extent to which a government should intervene in monopoly markets.**<br><br>Use **Table A**: AO1 Knowledge and understanding and AO2 Analysis and **Table B: AO3** Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• The key characteristics of a monopoly market structure should be identified.<br>• The aim of profit maximization should be explained and an accurately labelled supporting diagram should be provided to illustrate this situation.<br>• Analysis should be provided, based on a diagram, which shows the links between low output, high prices and allocative inefficiency.<br>• Alternative government policies to reduce the power of monopolies should be explained.<br>• Diagram(s) may be provided to illustrate monopoly equilibrium and/or the policy suggested.<br>• Analysis of how alternative types of government intervention can be used to address some of the negative outcomes associated with monopoly firms.<br><br>**No monopoly diagram Max L2 8 marks.**<br><br>**AO3 Evaluation**<br><br>Accept all valid responses.<br><br>• A government can use taxation to reduce monopoly profits and control market power. However, this might reduce the incentive to invest by monopoly firms and lead to X inefficiency<br>• Maximum pricing might be introduced to control high prices but this might lead to shortages and/or the operation of underground markets.<br>• Some types of product/service can be described as natural monopolies, therefore any attempt to introduce more competition is simply likely to lead to more inefficient outcomes.<br>• Direct government intervention by regulation/legislation might reduce a monopoly market share but this would also make it more difficult for a monopoly to benefit from economies of scale. Hence, costs and prices might subsequently rise. | **20** |

| Question | Answer | Marks |
|---|---|---|
| 2 | • A conclusion should attempt to examine alternative types of government intervention to try and establish the extent to which governments should intervene in monopoly markets.<br><br>Accept all valid responses. | |
| | AO1 Knowledge and understanding and AO2 Analysis | 14 |
| | AO3 Evaluation | 6 |

| Question | Answer | Marks |
|---|---|---|
| **OR** | | |
| 3 | **With the help of a diagram, assess whether the impact of an increase in labour productivity on the wages and employment of a firm is likely to be greater in a perfectly competitive labour market than in an imperfectly competitive labour market.**<br><br>Use **Table A**: AO1 Knowledge and understanding and AO2 Analysis and **Table B: AO3** Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• Characteristics of a perfectly competitive labour market should be described.<br>• An explanation should be provided of what is meant by an increase in labour productivity.<br>• A diagram and analysis should be provided which shows how wages are determined in a perfectly competitive labour market and how this impacts upon the wage and level of employment within each firm.<br>• Analysis should examine the potential impact of an increase in labour productivity on wages and employment in a perfectly competitive labour market.<br>• Comparative analysis to examine the effect of an increase in productivity on wages and employment in an imperfect market.<br>• An analysis of a monopsonistic labour market to show equilibrium for the imperfect labour market.<br><br>**No analysis of Increase in Productivity max L2 Max 10 marks.**<br>**Analysis of perfect or imperfect labour market only Max L2 8 marks.**<br>**No diagram Max L2 8 marks.** | **20** |

| Question | Answer | Marks |
|---|---|---|
| 3 | **AO3 Evaluation**<br><br>• The model of perfect competition is based upon many assumptions such as; perfect mobility of labour, homogenous labour and perfect knowledge. It is unlikely that we can apply this to the real world.<br>• Labour productivity is sometimes very difficult to measure accurately, for example, the productivity of workers in service sectors such as health and education<br>• An increase in the productivity of the workforce through the provision of better training might increase wages and output in a perfect labour market but the cost of providing this training and the subsequent skill differentiation would challenge the basic assumptions of a perfect competitive market.<br>• An increase in productivity might also be produced by substituting capital for labour which might lead to an increase in unemployment.<br>• The impact of higher wages on employment will also depend upon how easy it is to substitute capital for labour and the existing proportion of capital to labour in the particular industry.<br>• In an imperfect market, although it is likely that some benefits of an increase in labour productivity might be passed on through higher wages, it is also likely that the costs incurred in increasing productivity in this type of market will be deducted from any benefits. Therefore, any increase in wage/job opportunities, is likely to be limited.<br>• A conclusion, based on the preceding analysis should discuss the relative impact of an increase in labour productivity in both types of market and consider which is likely to be the greatest, with reference to both wages and the level of employment.<br><br>Accept all valid responses | |
| | AO1 Knowledge and understanding and AO2 Analysis | 14 |
| | AO3 Evaluation | 6 |

| Question | Answer | Marks |
|---|---|---|
| **EITHER** | | |
| 4 | **With the help of an injections and withdrawals graph, assess the impact of a decrease in interest rates on the level of employment in an economy.**<br><br>Use **Table A**: AO1 Knowledge and understanding and AO2 Analysis and **Table B: AO3** Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• An explanation of what is meant by injections, withdrawals and level of employment/unemployment.<br>• A description of the circular flow of income between sectors of the economy.<br>• An analysis of how the circular flow operates supported by an accurately labelled injections/withdrawals graph.<br>• An explanation of how changes in interest rates will have an impact on employment<br>• Analysis, based on a J/W graph can then be used to show how a decrease in interest rates will affect employment. For example, through different components of aggregate demand.<br>• A J/W graph might be used to explain the concept of a full employment equilibrium by identifying the links between changes in expenditure, income, output and employment. Credit multiplier/accelerator analysis if offered.<br><br>**No J/W graph Max L2, 8 marks.**<br>**General monetary policy response Max L2, 8 marks**<br>**No credit for alternative policies eg supply side/fiscal policy** | **20** |

© Cambridge University Press & Assessment 2025 

| Question | Answer | Marks |
|---|---|---|
| 4 | **AO3 Evaluation**<br><br>• A decrease in interest rates might lead to an increase aggregate monetary demand but this might cause inflation if the economy is already operating at high levels of employment<br>• A decrease in interest rates might also lead to a depreciation in the value of the currency, increasing the cost of imports and potentially lead to cost push inflationary pressures.<br>• Lower interest rates plus an increase in borrowing might lead to house price inflation with subsequent long term negative effects on the economy.<br>• The impact of lower interest rates on employment will be determined to some extent by the cause of unemployment. For example, this policy is likely to be less effective when addressing the problem of structural unemployment<br>• A reduction in interest rates would be expected to decrease savings and increase consumption expenditure but the final impact on employment will be determined by both the marginal propensity to save and the marginal propensity to consumer and ultimately the multiplier effects of the initial change in injection.<br>• Time lags for policy to have an impact.<br>• Size of multiplier and/or accelerator effects<br><br>Accept all valid responses. | |
| | AO1 Knowledge and understanding and AO2 Analysis | 14 |
| | AO3 Evaluation | 6 |

| Question | Answer | Marks |
|---|---|---|
| **OR** | | |
| 5 | **Globalisation will have an equally beneficial effect on the standard of living in both high-income and low-income countries**<br><br>**Evaluate this statement**<br><br>Use **Table A**: AO1 Knowledge and understanding and AO2 Analysis and **Table B: AO3** Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• Definition: globalisation promotes free trade, free movement of capital and labour and technology transfer.<br>• Key characteristics of high-income/low-income countries.<br>• High living standards are generally associated with high GDP per capita; advanced infrastructure; good housing, education and health; and low infant mortality rates.<br>• An improvement in living standards is very closely linked with an improvement in economic performance. An improvement in economic performance is measured by increases in GDP per capita.<br>• Analysis of the globalisation process through trade, technology transfer, FDI, comparative advantage, remittances should provide opportunities to create more real income and investment for both high-income and low-income countries.<br><br>**If only one level of income considered L2 MAX 10** | **20** |

| Question | Answer | Marks |
|---|---|---|
| 5 | **AO3 Evaluation**<br><br>• The links between globalisation and changes in living standards are not clear.<br>• Difficult to measure the standard of living.<br>• Globalisation increases long distance transport which creates more negative externalities. But it is difficult to determine whether negative externalities have a disproportionate effect on the standard of living of low/high income countries.<br>• It is not clear how the benefits of globalisation would be used by each type of economy. Some low-income countries might not use any gains to stimulate long term growth. For example, a failure to invest in infrastructure. This would not improve living standards in the long run.<br>• Globalisation might lead to an increase in cheap imports from low-income economies which might lead to higher levels of unemployment in high-income economies and therefore reduce the standard of living.<br>• A conclusion might attempt to form an overall judgement on the distribution of benefits to low/high income countries. Also, a judgement on whether globalisation will improve living standards in either type of economy in both the short term and long-term.<br><br>Accept all valid responses. | |
| 4 | AO1 Knowledge and understanding and AO2 Analysis | 14 |
| | AO3 Evaluation | 6 |

© Cambridge University Press & Assessment 2025 