UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

9708 ECONOMICS

9708/42 Paper 4 (Data Response and Essays (Supplement)), maximum raw mark 70

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 must be read in conjunction with the question papers and the report on the examination.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

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UNIVERSITY of CAMBRIDGE
International Examinations

Section A

1 (a) How has the type of market structure in food retailing in the UK changed? [3]

Candidates should compare the original smaller shops to the larger supermarkets, with increasing emphasis towards imperfect market structure. 1 for descriptive mention (e.g. type of shops, range or products, proportion of market size for supermarkets (75%). 2 for comment using market structure terms – still competitive with each other, so really oligopoly but monopoly in legal terms.

(b) To what extent does the article support the view that the consumer is sovereign in food retailing? [4]

Article says supermarkets gave consumers what they wanted e.g. organic and fair trade products; this seems to support the idea that the consumer is sovereign. However, it was the supermarkets which decided to expand, introduce new products, introduce own product brands, introduce store cards, controlled suppliers to get cheaper prices. This does not support the idea of consumer sovereignty.

Reserve 1 mark for brief or implied conclusion.

(c) Explain what the various objectives of a firm might be. [5]

Question does not necessarily require illustration from the information given. Comment on profit maximising, sales maximisation, behavioural aims, satisficing in general terms is enough. Aims which might be found in the information could be mentioned. (e.g. copy rivals, expand into other areas, control suppliers, sell high-quality products).

1 mark for identification of each aim up to a maximum of 3.
1 mark for brief comment.

(d) Do you agree with the conclusion of the article that the size of a firm should not be a source of concern? [8]

Evidence for concern: the comment on high prices, high profits, closure of some competitors, control over suppliers, destruction of environment. Evidence for their being no need for concern: wider choice, more convenient shopping hours, delivery to homes, clearer labels, quality control. Up to 4 each side but reserve 1 mark for conclusion.

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Section B

General Comments for section B:

The essay questions carry a maximum mark of 25. Try not to 'bunch' marks, but use the whole mark range. 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 various objectives of the examination listed in the syllabus and not purely on the ability to itemise further facts from the content of the syllabus. Marks should be awarded for the ability to demonstrate that aim b) of the syllabus has been achieved as well as aim a) – which refers to content knowledge. It is the objective of the examination, as listed in the syllabus, to assess both these aims.

An overall guide for marks for individual questions is given below; these are from a total of 25. They may be applied proportionally of course to parts of questions where the total is less than 25:

Mark 1–9 (Linked to level one in individual question notes).

1–5 Where the answer is mostly irrelevant and only contains a few valid points made incidentally in an irrelevant context. There will also be substantial omissions of analysis.

6–9 Where the answer shows some knowledge but does not indicate that the meaning of the question has been properly grasped. Basic errors of theory, or an inadequate development of analysis may be evident.

Mark 10–13 (Linked to level two in individual question notes).

10–11 Where there is evidence of an ability to identify facts or some ability at graphs and/or a fair ability to apply known laws to new situations.
There should be an accurate although undeveloped explanation of the facts relating to the question together with an explanation of the theory, and evidence of some ability to discriminate and form elementary judgements. Do not expect a clear logical presentation. There will not be much evidence of the ability to recognise unstated assumptions, nor to examine the implications of a hypothesis, nor of the ability to organise ideas into a new unity.

12–13 Where the answer has a more thorough relevance to the question but where the theory is incompletely explained.

14-17 (Linked to level 3 in individual question notes).

14–15 Where there is a good knowledge of the facts and theory of the question, clear evidence of the ability to use the facts and theory with accurate reference to the question that may have presented the candidate with a novel application.
There should also be evidence, where appropriate, of the ability to examine the implications of the question and an attempt to distinguish between facts and value judgements.
Clear statements, supported by reasoned arguments should be given and there should be some attempt at a conclusion to the question. There should be a reasoned structure to the whole answer. Do not expect too many extra illustrative points which are not explicitly referred to in the question, do not expect too much critical comment on unstated assumptions

16–17 For an answer showing a well reasoned understanding of the question's requirements and of the relevant theory: the analysis should be sound though the illustration and development may not be very full.

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18–25 (Linked to level 4 in individual question notes).

18–20 Where there is a thorough knowledge of the facts and theory with an excellent ability to describe, explain or analyse this in a precise, logical, reasoned manner. There should be an ability to query some of the assumptions in the question and clear evidence of an ability to distinguish between fact and value judgements and to draw some conclusions on the matter being discussed. Conclusions should be formed and expressed within a sound structured answer so that the whole is well presented. New illustrations and apposite examples should be introduced as further evidence of an ability to recognise the principles of the question and their application to relevant current situations.

21–25 For an answer which, given the time constraint, could not be improved significantly: it will have clear analysis, ample illustration and a good attempt at considered evaluation.

Be positive in your marking awarding marks for what is there without being too much influenced by omissions. Marks should not be deleted for inaccuracies.

Corresponding marks for sub-sections by level.

	1	2	3	4
Total Mark 10	1–3	4–5	6–7	8–10
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13
Total Mark 15	1–5	6–8	9–11	12–15

2 In 2009 there were huge fires in Australia which destroyed much property and countryside. The government promised to allocate a large amount of money and resources to help with the restoration of the area.

(a) With the help of diagrams explain what is meant by efficiency in the use of resources. [12]

Explanation of productive and allocative efficiency.

L4 For a good explanation of both types of efficiency with supporting diagrams clearly drawn. [9–12]
L3 For either a competent explanation but unclear diagrams or unclear explanation with accurate diagrams. [7–8]
L2 For a limited attempt probably only dealing with one type of efficiency. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis. [1–4]

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(b) Discuss the economic implications of the government's approach to the situation. **[13]**

The government's approach is to allocate extra funds and resources. This will have implications for the way the money is raised – fiscal policy or monetary policy. It will have possible implications on other government expenditure – use of opportunity cost concept. It will have implications for employment, changes in incomes, the effect on trade balance – whether to import resources or use domestic resources; the range of government intervention – use of government subsidies, whether to use private or public enterprise etc.

L4 For a sound discussion with a good discussion – using economic terminology – of three or four areas or implications exploring wider issues. [9–13]
L3 For a competent comment but with a narrower range of implications, or with a more limited analytical and more descriptive approach. [7–8]
L2 For a relevant choice of one or two implications in a descriptive style. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial [1–4]

3 (a) Explain what is meant by internal economies of scale, and analyse the link between economies of scale and a firm's long run average cost curve. [12]

Candidates should explain different internal economies of scale and analyse how they are derived. They should then show the link between economies of scale and the long-run average cost curve (LRAC).

L4 For a sound explanation of economies with clear understanding of the link to the LRAC. [9–12]
L3 For a competent explanation of economies but with limited development of the link to the cost curve. [7–8]
L2 For a general explanation probably in descriptive form of economies of scale but no real link to the cost curve. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

(b) Discuss whether there is a relationship between the marginal cost curve of the firm and the supply curve of the industry to which it belongs. [13]

Explanation of the link between marginal cost of the firm and supply curve of industry in perfect competition. Relevance of average variable cost. Comment on the lack of such a straight forward relationship in imperfect competition in order to obtain high L4 (11+).

L4 For a good discussion of both the firm and industry, clear distinction made between different market structures and with supporting diagrams clearly drawn. [9–13]
L3 For either a competent explanation but unclear diagrams or unclear explanation of the distinction between the types of market structure but with accurate diagrams of both firm and industry. [7–8]
L2 For a limited attempt dealing with one type of market, probably perfect competition. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis. [1–4]

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4 Recently, employers in some countries have employed foreign workers instead of local workers. The local workers argue that they should have priority over foreign workers and also that more products should be produced at home rather than being imported.

(a) Explain, with the help of a marginal revenue productivity diagram why an employer might prefer to switch to foreign workers. [12]

Candidates could comment on the availability of labour, the relative cost of the labour, the skills involved, the speed or the amount/volume of goods produced. Cheaper labour would reduce the cost and be reflected in the supply curve. Better skills, more productive work could be reflected in the marginal revenue productivity curve (mrp).

L4 For a good explanation, the effect on the demand and the supply with relevant changes in the curves on the diagram with supporting diagrams showing the comparison between home and foreign labour clearly drawn. [9–12]
L3 For either a competent explanation but unclear diagrams or an unconvincing explanation of the effect on demand and supply but with a competent attempt at a comparative diagram. [7–8]
L2 For a limited attempt probably dealing with one aspect only – either productivity or cost and no diagram. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis. [1–4]

(b) Discuss whether it would be beneficial for a country to give priority to its local workers. [13]

*Candidates should emphasise a more macro aspect than in part **(a)**. They could discuss the wish to increase national income, the wish to reduce local unemployment, to support local industry or particular regions dependent on one major industry, or the wish to reduce imports and attempt to increase exports.*

L4 For a sound discussion involving three reasons for the support of the workers with convincing analysis. [9–13]
L3 For a competent discussion involving two reasons for the support of the workers with adequate analysis, or three reasons less clearly elaborated. [7–8]
L2 For a general discussion of two reasons with little development of either. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

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5 National income statistics are used to calculate a country's GDP. The table shows the GDP for 5 countries for 2008

Country	GDP $m
USA	14 580 000
India	3 319 000
Singapore	244 000
Mauritius	14 060
Swaziland	5 626

Discuss how far the table might be used to determine whether one country has higher living standards than another. [25]

Candidates should discuss the usefulness of the figures for GDP. These figures are not per head so the comparison is misleading. They could also discuss the difficulties of comparing statistics between countries with different climates, cultures and economic structures. They should also mention the relevance of other factors which influence the standard of living which might be included in alternative measures of welfare e.g. HDI, MEW.

L4 For a thorough discussion of the table and the difficulties of using any indicator to compare living standards in countries with different climates, cultures and economic structures. A discussion of alternative measures of welfare to the figures in the table should be presented together with a reasoned conclusion. [18–25]

L3 For a competent discussion of the table but with a more limited comment about the difficulties of comparing living standards. A conclusion will still be presented. [14–17]

L2 For a brief comment on the table with little discussion of alternative measures and with no conclusion. [10–13]

L1 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. [1–9]

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6 Explain what is meant by an equilibrium level of national income and discuss why this equilibrium might change in a developing country. [25]

Candidates should explain the link between injections and withdrawals and comment on the balance between them which forms an equilibrium. The process of change by the multiplier should be explained. They should recognise that there is an open economy with government sector. Candidates should suggest which factors might be significant in a developing country. Any reasoned discussion should be accepted. They might suggest the equilibrium changes because of foreign investment, because of national government investment or international trade. Similarly, they could comment on tax changes or spending changes.

L4 For a thorough discussion of the factors which are involved in the analysis of an equilibrium income involving public and private sectors in an open economy. A good explanation of the multiplier, together with a comment on which might be important in a developing country together with a reasoned conclusion. [18–25]
L3 For a competent discussion of the factors involved in an equilibrium. The multiplier will be mentioned but the suggested relative importance of different components of the national income will be brief. A conclusion will still be presented. [14–17]
L2 For an answer which concentrates on the first part of the question explaining what is meant by an equilibrium income; or for an answer with a weak analysis of equilibrium and the multiplier but also with a little discussion of the relative importance of the different components to developing countries. No mention of multiplier, maximum L2. [10–13]
L1 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. [1–9]

7 Economic analysis states that the aims of the government include economic growth and economic efficiency.

(a) Explain how achieving economic growth might conflict with other government macroeconomic aims. [12]

Explanation of government aims and the effect of growth on incomes, demand, possible trade patterns, prices, resource use. Growth could increase demand with possible effects on inflation; could increase imports with possible effects on balance of payments; could use resources with possible effects on conservation and long-term planning; could change incomes with possible effects on fiscal policy and expenditure.

L4 For a good explanation of the government aims and a comment on three or more conflicts presented in a reasoned argument. [9–12]
L3 For a competent explanation of government aims but a less clear evaluation of three conflicts or a good explanation of two conflicts. [7–8]
L2 For a limited attempt probably only dealing with the government aims and a very brief attempt at conflicts with no conclusion. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis. [1–4]

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(b) Is economic efficiency better achieved by the market mechanism rather than by government microeconomic policy? [13]

Explanation of efficiency and a discussion of the relative merits of the market and possible market failures.

L4 For a sound explanation of efficiency and a discussion of the elements of market failure, for example, externalities, monopolies, lack of information together with a reasoned conclusion. [9–13]

L3 For a competent explanation of efficiency but briefer discussion of market failure but still with a conclusion. [7–8]

L2 For a more limited general description, rather than an analytical discussion with little attempt at a conclusion. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–4]

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