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

9708/43 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.

CIE is publishing the mark schemes for the October/November 2010 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

Section A

1 (a) The article says that consumers will reduce the amount they are willing to pay for each additional unit of a product. Why do they do this? [4]

Explanation of changes in total utility (1), and marginal utility (1), and the link between marginal utility and price (2). Need mention of equilibrium for 4 marks.

(b) Explain what is meant by product differentiation and how it might benefit producers. [3]

Explanation of product differentiation (1) and the possibility of charging higher prices for branded goods to help cover research costs (2).

(c) Two food products are offered for sale. The producers of one carry out research to make it safer and increase its price to pay for the research. The producers of the other try to keep their share of the market by lowering its price.

Show the effects of these changes using a budget line diagram. [4]

Explanation of budget lines based on price and income (2), shift of intersection with axis caused by an increase in price – correctly identified to correct axis (1), simultaneous shift of intersection with axis with decrease in price of other good – identified to correct axis (1).
Need explanation of budget lines for 4 marks.

(d) The article says that producers have responded to changes in demand and now draw attention to the health aspects of their food products

Does the evidence indicate that the market will always achieve the best allocation of resources in food production? [9]

Against: sellers know more information; consumers sometimes misunderstand; producers only change if profitable; the government needs to be involved in the labelling rules; there are public good elements in food production. For: market is satisfactory only if there is full information on both demand and supply side.

© UCLES 2010

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.

© UCLES 2010

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 (a) Explain the significance of the distinction between fixed and variable costs for the pricing and output decisions of a firm. [12]

Explanation of two types of cost. Explanation of output, and need at that output to cover variable cost in short run and the consequences of not covering both fixed and variable in long run.

L4 For a good explanation of both costs, a clear link to short and long run. A diagram is not required but can be rewarded if clear and accurate. [9–12]
L3 For either a competent explanation of costs but a less clear link to the pricing and output decisions. [7–8]
L2 For a limited attempt probably only dealing with either short or long run or with both but weak explanation and weak link to pricing and output decisions. [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]

© UCLES 2010

(b) Discuss whether the pricing and output decisions of a firm are determined solely by an estimate of revenue and cost. [13]

Candidates should discuss the role of revenue and cost but also consider the overall aims of the firm and the type of market structure in which the firm operates. Interdependence, contestable markets, imperfect markets all could influence the firm. So could government regulation.

L4 Clear discussion of the role of costs/revenue in the decisions of the firm especially if it aims for profit maximisation together with a discussion of alternative aims and the structure of the markets with a conclusion. [9–13]

L3 For a competent analysis but with less development which may be restricted to one type of market structure or one or two alternative aims. A conclusion should still be given. [7–8]

L2 For a relevant analysis but with only a brief development and without any 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]

3 It is suggested that there are so many benefits from large-scale production that all firms should be encouraged to grow in size and there should be no government restriction on such growth. Do you agree with this opinion? [25]

Candidates should discuss whether there are benefits from large scale production and then consider, if there are, whether all firms should be encouraged to grow in size or whether there is a place for small firms. Lastly they should discuss whether this growth, if encouraged, should be unrestricted by government regulation.

L4 For a discussion of the factors which are involved in the analysis of each the stages of the argument together with a conclusion. [18–25]

L3 For a competent discussion of part of the argument – probably large scale production – with briefer comment on government regulation and little on whether all firms should be encouraged to grow in size. Some attempt at a conclusion will be presented. [14–17]

L2 For a brief comment on part of the argument, with a weak explanation of the analysis and little, if any, discussion of the role of the government. [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]

© UCLES 2010

4 Do you agree that the higher wages paid in some occupations occur just because some trade unions have a stronger bargaining position than others? [25]

Candidates should explain the factors affecting the level of wages. The demand for labour and the supply of labour should be discussed. Demand should be linked to the marginal revenue product (mrp) analysis. Supply could be influenced in imperfect competition by trade unions who bargain over the wage rate and also over non-wage benefits. Other relevant factors influencing supply include the wages in alternative employment, the idea of income and substitution effects leading to a backward slope in the supply curve. Look for a conclusion as to whether the trade union is the main factor.

L4 For a thorough explanation of the analysis of wage determination with a clear link to a discussion of trade unions and a clear conclusion to the answer. [18–25]
(16–17 for demand and supply only without mrp)

L3 For a competent explanation of the analysis but with a more limited discussion of the relevance of trade unions. There will still be a conclusion. [14–17]
(12–13 for demand and supply without mrp)

L2 For a more limited analysis, some, but very limited attempt to discuss the trade union influence and with no conclusion. [10–13]
(6–9 for demand and supply without mrp)

L1 For an answer which contains inaccuracies and only a few correct points [6–9]
(1–5 for demand and supply only without mrp)

5 (a) Explain what you consider to be *three* economic issues in the country in which you live and analyse which is most significant. [12]

Candidates can mention any three problems, macro or micro but they must give a reasoned account of the relative significance of them.

L4 For a good explanation of three problems (up to 6) with a clear analysis of which is most significant (up to 6) [9–12]

L3 For a competent analysis of the problems (up to 6) but with a weaker discussion of their relevance or significance (up to 3) [7–8]

L2 For a limited general explanation of possible problems (up to 6) but with very limited or no attempt to discuss their significance. [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 what measures might be recommended to try to deal with the most significant issue. [13]

Candidates could consider government micro or macro measures, fiscal policy, monetary policy, regulation, or control. The measures suggested should be shown to be relevant to the problems mentioned.

L4 For a good analysis of possible measures with a clear discussion of how they link to the problem mentioned. [9–13]

L3 For a competent explanation of general measures but with little to suggest how they might be linked to the significant problem mentioned. [7–8]

L2 For a limited general explanation of the measures with no real attempt to link to the problem mentioned. [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]

© UCLES 2010

6 Hurricanes can occur in some parts of the world. Major flooding is caused, crops are ruined and the wind destroys homes and factories. People's standard of living is severely affected. Some blame climate change for unusual weather conditions.

(a) Explain how a country might measure its standard of living. [12]

Candidates should discuss ways of measuring a country's standard of living and how to determine whether people are 'better off'. They should consider indicators that might be used – both quantitative and qualitative.

L4 For a thorough explanation and a good coverage of quantitative and qualitative indicators. [9–12]
L3 For a competent explanation but with a more limited development of the indicators. There will still be a conclusion. [7–8]
L2 For an undeveloped explanation, probably concentrating on quantitative indicators with little discussion of wider indicators. There will be no conclusion. [5–6]
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. [1–4]

(b) Discuss how far a country's standard of living is determined by factors beyond its control [13]

*Changes in standards of living can only be measured by the indicators mentioned in **(a)**. Candidates should discuss how these indicators might be influenced by natural disasters but also discuss how a government, business and consumer activity might have an influence on a country's standard of living by its aims and policies. Both quantitative and qualitative indicators would be affected. There should be a conclusion.*

L4 For a thorough discussion of how natural disasters would affect the standard of living together with a good discussion of the relevance of government policy, business and consumer activity. [9–13]
L3 For a competent explanation but with a more limited development of the range of activity that might influence living standards, possibly concentrating on government policies. There will still be a conclusion. [7–8]
L2 For an undeveloped explanation and poor overall balance between changes caused by natural disasters and changes deliberately caused by economic activity. There will be no conclusion. [5–6]
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. [1–4]

© UCLES 2010

7 (a) Some African countries are richer in natural resources in the form of minerals and land than some developed countries. Why then are these same African countries referred to as developing countries? [12]

Discussion of the indicators which characterise developing countries – population growth, income distribution, economic structure, employment, external trade, role of multinational corporations.

L4 For a good analysis of the characteristics with a link to the relevance of the natural resources as being only part of the classification. There should be a conclusion. [9–12]
L3 For a competent analysis of the characteristics but with a weaker discussion of the relevance of natural resources. There should still be a conclusion. [7–8]
L2 For a limited general explanation of characteristics with little attempt to refer to the natural resources and 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]

(b) Use the concept of the multiplier to discuss how an increase in investment in a developed country might affect both the developed country and developing countries. [13]

Candidates should mention the effect of an increase in investment on national income using the multiplier process. For example, could result in an increase in incomes, increase in trade, more tax for government in developed country, maybe might appear more desirable a place to invest for multinational companies.

L4 For a good analysis of the multiplier and a competent discussion of the repercussions on both developed and developing countries. [9–13]
L3 For a competent explanation of the multiplier but with a more general and limited discussion on the link between the two types of country. [7–8]
L2 For a limited general explanation of the multiplier with no real attempt to discuss the link between the countries. [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]

© UCLES 2010