UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

9708 ECONOMICS

9708/41 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.

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1 **(a)** 2008 (1), stopped increasing after 2007 (1) [1]

(b) both were rising (1), US was rising faster (1), Euro area had a steady increase (1) [3]

(c) diagram (1 for labels), price change shown (1); parallel shift of curve either for an increase or decrease in income price (1); explanation (1) [4]

(d) meaning of utility (1); equi-marginal formula (2);
explanation and meaning of principle (2) comment on significance – makes no difference how goods are paid for (1) [4]

(e) Evidence supporting the idea of a disadvantage: unemployment caused reductions in income and therefore spending was cut. This might reduce profits.
Evidence against the idea of a disadvantage can be found in the comments about some luxury goods and the trend towards environmentally friendly goods.
Producers lowered prices and adopted sales promotions – this may have increased revenue depending on the elasticity. Although employment was reduced the evidence does not support the view that all business revenue was reduced.
Allow up to 4 marks for one side of the discussion only plus reserve 1 mark for the conclusion that there is insufficient evidence to support this opinion. [8]

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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 organize 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.

Mark 14–17 (Linked to level three 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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Mark 18–25 (Linked to level four 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.

	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 Candidates should discuss what is meant by imperfections in the market/market failure. They should also explain the meaning of efficiency. They should then consider whether government policies and intervention necessarily lead to a better distribution of resources with an outcome of greater efficiency.

L4 For a thorough analysis of market failure and also of efficiency together with a reasoned comment about the outcomes of government policy and the practicality of achieving efficiency. A conclusion should be given. [18–25]

L3 For a competent explanation of the terms but with limited discussion of the likely outcome from government intervention. [14–17]

L2 For a correct but undeveloped theoretical analysis with very little comment on the likely outcome of intervention and no conclusion. [10–13]

L1 For an answer which contains inaccuracies and only a few correct points. [1–9]

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3 (a) Explain the distinction between the two types of profit and explanation of profit in perfect and imperfect competition. Abnormal profit in short-run perfect competition, monopolistic competition and possibly short-run and long-run imperfect competition. Normal profit necessary in long-run perfect competition, monopolistic competition and possibly in other imperfect markets.

L4 For a clear definition and accurate analysis of theory in both perfect and imperfect, short and long run [9–12]
L3 For a clear definition and fair analysis which concentrates either on perfect and monopoly without monopolistic competition, or omits part of the long run analysis [7–8]
L2 For a limited analysis which may omit the definition but briefly explains when the two types of profit may occur. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

(b) Discuss what economic theory suggests are the characteristics and possible behaviour of firms in an oligopolistic market; small number of competing firms, interdependence, price-makers, differentiated products, barriers to entry. Main features of behaviour; collusion, price leadership, sometimes price stability, sometimes price wars and non-price competition.

L4 For a good analysis of the market structure and at least three developed accounts of market behaviour [9–13]
L3 For clear analysis of the market structure and three brief accounts, or two developed accounts, of market behaviour. [7–8]
L2 For understanding, perhaps focusing on the characteristics with weak comment on behaviour or at most one type of behaviour. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

4 Discussion of the determinants of wages. Candidates should assess the theoretical analysis of what influences the supply of labour and how it is moderated by the existence of unions and government regulations. Expect comment on both supply and demand. Theoretical analysis without marginal revenue productivity approach does not merit the full range of marks. [25]

L4 For a thorough analysis of theoretical wage determination with a clear discussion of the role of unions and/or government policy.
(14–17 for demand and supply only with institutional factors and government policy) [18–25]
L3 For a competent explanation but with limited discussion of unions and/or government factors. (10–13 for demand and supply) [14–17]
L2 For a correct but undeveloped theoretical analysis with no institutional factors or only very brief mention of these factors. (6–9 for demand and supply) [10–13]
L1 For an answer which contains inaccuracies and only a few correct points.
(1–5 for demand and supply only) [1–9]

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5 (a) For an explanation of economic indicator (3), for the difference between gross and net (2), for the difference between domestic and national (2), for a statement about the link between and calculation of product and income (2), for the difference between factor cost and market prices (3). [12]

L4 For a clear explanation of each of the parts [9–12]
L3 For an explanation which omits part of the distinction or which is less clear perhaps on the link in the calculation. [7–8]
L2 For a limited explanation which omits some part of the distinction [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1– 4]

(b) Discuss the use of GDP, its value and limitations as a means of comparison of the standard of living of a developing country with that of a developed country, and whether it is better than other alternative indicators.

L4 For a good analysis of the use of GDP and developed evaluative comment with a comparison of alternative indicators [9–13]
L3 For clear analysis but with less developed evaluative comment on alternative indicators [7–8]
L2 For understanding but with no comment on alternative indicators or only a brief comment on limitations together with a brief mention of alternative indicators [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

6 (a) Explanation of the main macroeconomic aims with a comment on the validity of one of them for a particular region or country.

L4 For a clear explanation of the aims together with a reasoned attempt with a good explanation to use an application of the aim to the country. [9–12]
L3 For an explanation of the aims but with a more limited attempt to apply one of the aims to a country. There should though still be some reasoned account. [7–8]
L2 For a limited explanation of the aims and little attempt to give an application. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

(b) Discuss the likely conflicts that might occur for example employment/inflation; growth/balance of payments; growth/inflation.

L4 For a good analysis which mentions at least two conflicts with a reasoned account with a conclusion. [9–13]
L3 For clear analysis of at least two conflicts but with less development [7–8]
L2 For a weaker understanding and with only one conflict mentioned with no conclusion [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

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7 (a) Private expenditure: Immigrants if working will have money available for saving, or spending, the amount for each might depend on whether money is sent home to families. Those beyond working age – depends on extent of wealth. Income will be reduced, whether spending declines depends on extent of existing wealth. Debatable whether savings likely to be less or more significant for beyond working age than for immigrants who may send money home.
Public expenditure: expenditure on health care likely to increase, this may decrease expenditure on other areas if receipts from taxes decline as proportion beyond working age increases. Depends whether this is compensated for by increases in tax from immigrants who work.

An explanation needed.

L4 For a sound explanation with good application and a clear understanding of the possibilities involved together with a conclusion [9–12]
L3 For an accurate reference to the question but with a more limited explanation and less developed possibilities. Still with a conclusion. [7–8]
L2 For a correct explanation but undeveloped comment, not necessarily logically presented or with a conclusion [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

(b) Evaluate policies which include indirect, direct taxation, transfer payments, subsidies, grants.

L4 For a reasoned and clear analysis of at least three policies logically presented [9–13]
L3 For a fair but undeveloped analysis of three policies or two policies more fully developed [7–8]
L2 For a limited analysis with little elaboration [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1–4]

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