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

9708/42 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.

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

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Section A

1 (a) Gross Domestic Product measures the value of economic activity within a country. It is the sum of the market values, or prices, of all final goods and services produced in an economy during a period of time. It gives an indication of the growth of the economy, some indication of how the economy compares with other economies and gives a guide to what policies the government might need to manage the economy. (1 mark only for description of GDP only) [2]

(b) Any relevant comment from the charts. At the start of 2005 Japan's GDP had zero growth but the UK's was over 2%, both countries then had a rise in GDP growth. Japan's GDP fluctuated more than UK's between 2005–2009; Japan's GDP fell to a lower level than the UK at the end of 2008. In some ways there was a similar pattern of decline but with Japan's decline of 15.2% worse than the UK's of 5.7%. [4]

(c) The concern is because exports generate income and employment and the economy partly depends on exports. When sterling is weak exports should be cheaper and demand should be higher. Demand was low when the prices of exports were comparatively low. It would be expected that low prices would have increased exports. Up to 4 marks only without mention of elasiticities. [5]

(d) Both economies suffered from a fall in consumer spending, a fall in business investment, a fall in exports, an increase in unemployment, excess capacity in businesses. (Up to 5 marks for an indication of the influences with little direct comparison). The difference in the information was the emphasis given to exports in Japan and the emphasis given to the housing market in the UK. [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 (a) Candidates should explain marginal utility theory, the equilibrium position and the allocation of expenditure between products. [12]

L4 For a reasoned and clear discussion of the analysis mentioning the equilibrium position of the consumer for a number of products. [9–12]
L3 For a competent comment but with a limited elaboration of the whole analysis or possibly limited to one product. [7–8]
L2 For a brief explanation with only limited reference to the equilibrium position and limited to one product. [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) Candidates should analyse the meaning of productive and allocative efficiency and consider when it might not be possible to achieve such efficiency – imperfect markets, externalities, lack of knowledge/information, factor immobility. [13]

L4 For a sound explanation of both efficiencies with good application and a clear understanding of the at least two market failures. [9–13]
L3 For an accurate but less developed explanation of efficiency and either a less developed understanding of two market failures or a fuller account of one market failure. [7–8]
L2 For a brief explanation of the concept but minor errors or lack of understanding in the application and brief comment on market failure. [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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3 **(a)** Consideration of the benefits of small organisations – personal service, individual products, niche markets, local provision – set against the possible disadvantages which might include the lack of economies of scale or investment for research. A conclusion should be given. [12]

L4 For a sound consideration with good application and a clear understanding of the principles involved. [9–12]
L3 For an accurate but less developed consideration possibly with a concentration on the advantages. A conclusion should be given. [7–8]
L2 For an undeveloped comment and some errors or lack of understanding in the application. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

(b) Discussion of the possibility of lower average costs caused by economies of scale but with a consideration of the possibility that diseconomies may operate and that therefore costs need not be lower. [13]

L4 For a reasoned and clear explanation with accurate development of theory. [9–13]
L3 For a fair but undeveloped explanation. [7–8]
L2 For a limited but acceptable attempt to consider the theory but with little reference to the particular changes mentioned in the question. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

4 Discussion of determinants of wages. Candidates should discuss the theoretical analysis of wage determination by the market but they must also evaluate whether the market might lead to exploitation of the labour force. There should be a conclusion on whether wage determination is sometimes suitable for government intervention to ensure a fair and equitable wage rate level or whether wage determination is best left either to the market or to collective bargaining. 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 government together with a conclusion. [18–25]
(14–17 for demand and supply only with institutional factors and government policy)
L3 For a competent explanation but with limited discussion of the role of government but with a conclusion. [14–17]
(10–13 for demand and supply)
L2 For a correct but undeveloped theoretical analysis with little discussion of government involvement and no conclusion. [10-13]
(6–9 for demand and supply)
L1 For an answer which contains inaccuracies and only a few correct points. [1–9]
(1–5 for demand and supply only)

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5 **(a)** Explanation of macro/micro. Candidates could use any two types of policy from each – macro: fiscal, monetary, exchange rate, supply side; micro: price control/fixing for particular industries, wage policy, monopoly regulation, privatisation, supply of goods. [12]

L4 For a sound explanation with good application with an illustration and a clear understanding of the principles involved. [9–12]
L3 For an accurate explanation of the difference between macro and micro but with a more limited comment on the application and illustration. [7–8]
L2 For a weaker explanation and illustration which lacks any real development. [5–6
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

(b) Discussion of tax policies, subsidies, grants, government expenditure, export encouragement, interest rate policy, regulatory or ownership policies to help a country come out of a recession. [13]

L4 For a reasoned and developed discussion of at least three types of policy, logically presented and a conclusion drawn. [9–13]
L3 For a fair but undeveloped discussion possibly concentrating on one or two policies together with a conclusion. [7–8]
L2 For a limited discussion with little comment and no conclusion. [5–6
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

6 **(a)** Expect transactions, precautionary, speculative descriptions. Up to 6 marks for first two, and 6 marks for speculative. [12]

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

(b) Assessment of effect of increase in supply on interest – with discussion of elasticity of liquidity preference. Effect of changes in interest on investment, with discussion of elasticity of investment schedule. [13]

L4 For a reasoned and clear analysis of both parts of the question, logically presented. [9–13]
L3 For a fair but undeveloped discussion but with accurate reference to the question. [7–8]
L2 For a limited analysis probably concentrating on one part of the question. [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 Up to 17 marks for explanation of the criteria used to distinguish the two economies although the term developed economy hides many dissimilarities and differentiated development will exist among developed economies. A developed economy is assumed to be in a stronger position than a developing economy. However, the fundamental economic problem remains – scarce resources and unlimited wants. Developed economies face economic problems which differ in extent (e.g. higher GDP per head and higher life expectancy) and in nature (e.g. more environmental difficulties) from those found in developing economies. Candidates could mention possible similar problems e.g. unemployment, pollution, inflation, over-crowding, negative externalities, exploitation of resources with lack of consideration for the long term. [25]

L4 For a well argued analysis of both parts of the question – a good range of indicators both economic and social – with accurate development of the discussion and a reasoned conclusion. [18–25]

L3 For a competent explanation of the criteria, a clear but undeveloped discussion or one which concentrates on part of the question but still has a conclusion. [14–17]

L2 For a limited and more descriptive attempt, weak explanation of the criteria, little discussion of the question and with no conclusion. [10–13]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis are substantial. [1–9]

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