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

9708/43 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.

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Section A

1 **(a)** Explanation of any suitable characteristics, for example, employment distribution, health, education, standards of living, sanitation, dependence on overseas aid. [4]

(b) They are concerned about the total cost of production including the externality of carbon emissions. They argue that resources should be conserved and not exploited. This, they say, could be achieved by switching to local products. [2]

(c) There should be a statement about the meaning of marginal utility (1); the relation of marginal utility to price (2); and a comment about buying more expensive products (3). The theory does not prevent the purchase of more expensive items. Fewer would be bought if the price were higher. It might be questioned whether buying **the same** product at a higher price was rational and whether the argument was reasonable. [6]

(d) Developing countries depend on agriculture – some figures are given for some countries. Agriculture depends more on the weather than other sectors. Incomes are more volatile. An example is given. Developing countries have come to depend on trade with developed countries which is likely to be withdrawn. Developed countries are rich enough to go to other suppliers; developing countries would find it difficult to find other buyers. It is likely that the statement is true but there is only a little supporting evidence and some general background information. [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 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.

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 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4	5–6	7–8	9–13

2 Candidates should discuss the proposition. There are similarities. They may all have a profit motive – although there are alternative aims also. They may all be subject to competition – with contestable markets – depending on how monopoly is defined. Whether the producer has all the benefit is debateable. However, there are differences in the amount of control over prices, over abnormal profits, over information, over collusion, over branding and price discrimination. [25]

L4 For a thorough analysis of the proposition with a consideration of the likenesses and differences and with a clear discussion and conclusion. [18–25]
L3 For a competent explanation but which will probably concentrate on the differences with limited discussion of the comparability but still with a conclusion. [14–17]
L2 For a correct but limited theoretical analysis which may concentrate on one side of the proposition or may present both sides but with little development. No conclusion. [10–13]
L1 For an answer which contains inaccuracies and only a few correct points. [1–9]

3 (a) Explanation of the effect of an increase in consumer expenditure (C); increase in injections via subsidies, increase in national income; explanation of multiplier. [12]

L4 For a sound explanation with good application and a clear understanding of the principles involved both of an increase in C and of govt. subsidies. [9–12]
L3 For an accurate explanation of the multiplier but with a more limited comment on the possible overall balance. [7– 8]
L2 For a weaker explanation of the multiplier or without a clear explanation of the effect of subsidies. [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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(b) Candidates should discuss general macroeconomic objectives. Increasing demand might conflict with controlling prices overall and might have balance of payments repercussions if the new cars are imported. It should not conflict with decreasing unemployment or increasing growth. [13]

L4 For a reasoned and clear discussion with the analysis logically presented and a conclusion drawn. [9–13]
L3 For a fair but undeveloped discussion possibly concentrating on two aims only. [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]

4 (a) Discussion of influence of demand for labour on the wage rate paid. Better answers will use the marginal revenue product (mrp) theory, average or weaker answers will explain the idea through a standard demand curve – which will need to be related to the supply to fix the wage rate. [12]

L4 For a sound explanation with good application and a clear understanding of the principles involved – diagrams will probably be used. [9–12]
L3 For an accurate but less developed explanation. [7–8]
L2 For an explanation of the analysis but not necessarily logically presented, or with some errors. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

(b) Analysis of the change in wage rates when the market becomes imperfect. The marginal wage and average wage will not be identical and the wage rate will be pushed down. If the product market is also imperfect the average and marginal revenue will not be the same and this will affect the mrp. However, these changes may be modified either because the trade union influences the level of the wage rate or because it is fixed by the government. Candidates could discuss the effect of a minimum wage. [13]

L4 For a reasoned and clear analytical comment. [9–13]
L3 For a fair but undeveloped comment. [7–8]
L2 For a limited but acceptable attempt to consider the possible effects. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

5 (a) Explanation of the calculation of the change in GDP/GNP and its link to growth rates [12]

L4 For a sound explanation of the different methods 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 necessarily logically presented. [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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(b) Consideration of the value of GDP but also of other factors which might be important which are not included directly in GDP – health, housing, education, crime, income distribution. Difficulties of comparing different cultures, climates. [13]

L4 For a reasoned and clear discussion, logically presented. [9–13]
L3 For a fair but undeveloped discussion but with accurate reference to the question. [7–8]
L2 For a limited discussion with little comment. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

6 **(a)** Expect descriptions of the transactions, precautionary and speculative reasons behind the demand for money. Up to 6 for first two, 6 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 necessarily logically presented. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

(b) Discussion 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 and extent of marginal propensity to save. Effect on international situation with changes in imports, exports, speculation and exchange rates. This could lead to changes in government policy. [13]

L4 For a reasoned and clear discussion, logically presented. [9–13]
L3 For a fair but undeveloped discussion but with accurate reference to the question. [7– 8]
L2 For a limited discussion with little comment. [5–6]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1– 4]

7 Explanation of the meaning of allocative efficiency and productive efficiency with a discussion of the polices that might be used to approach allocative efficiency when the market does not reflect that situation – subsidies, regulation, taxes, prohibitions, ownership, provision of government services. It might be possible to achieve productive efficiency but more difficult to measure and achieve allocative efficiency. [25]

L4 For a reasoned and clearly structured answer which gives an explanation of both types of efficiency and a discussion of the policy. A conclusion should be drawn. [18–25]
L3 For a fair explanation but with a weaker or undeveloped discussion on policy but still with a conclusion. [14–17]
L2 For an answer which concentrates on the explanation but does not explore the discussion and has no conclusion. [10–13]
L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–9]

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