CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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Section A

1 (a) What might be concluded about the Philippines economy from the information given? [4]

Large dependency on foreign income, – low wages – possible high unemployment – might be in recession.

(b) How far is the information in the fifth paragraph of the article supported by the evidence in Table 1? [4]

Not supported:
- Mexico forecasts in 2007 were not good
- Mexico's prediction for 2008 was incorrect
- In most areas the increase has not been around 33%
- The World Bank's prediction of a slowing in growth of income sent home in 2008/9 was incorrect from the figures given but there are only selected countries and their figure was an overall average

Supported:
- Mexico is the third largest recipient of the countries given

Overall conclusion: text and data do not really agree.

(c) Assess whether it is beneficial for the receiving country to use migrant labour. [5]

It might be beneficial because the labour is cheaper, but foreign labour may replace local labour which may cause problems and cheap labour may not encourage innovation and investment. In addition it may not be beneficial if money is returned to home country.

(d) Discuss the overall effect of the outflow of workers on the economy of their home country. [7]

It is uncertain. It depends on what happens to the money earned and on whether the loss of labour is significant, or whether the loss of labour can be replaced by capital. Production may be reduced as workers go abroad; alternatively production may go up as money sent home is used for investment or because the income spent causes increases in demand. Other factors to consider are possible social changes, whether the cost of training is met at home or by the host country, short run versus long run.

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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.

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.

	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 study found that demand for tickets for exhibitions at a major art gallery had unitary price elasticity.

(a) Explain how the concept of diminishing marginal utility may be used to construct a demand curve for the product and whether that analysis still applies in the case of demand for tickets for the exhibitions. [12]

Explanation of diminishing marginal utility and its link to a demand curve. It can still apply in the case of unitary elasticity.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation and with a weak comment on the possible problems and no correct 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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(b) Discuss whether the law of diminishing returns contradicts the concept of economies of scale. [13]

Discussion of the law of diminishing returns and economies of scale and a recognition that the two can be used together, diminishing returns in the short run and economies of scale in the long run.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the difference between short and long run [9–13]
L3 For a competent comment but with more limited explanation of the link between the two and of the use of short and long run [7–8]
L2 For a brief explanation and with a weak discussion of the links [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 an oligopoly market and why prices might fluctuate less in an oligopoly market than in a perfectly competitive market. [12]

Explanation of the characteristics of oligopoly and of price rigidity and the kinked demand curve. Also look at non-price competition; price leadership.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation of the characteristics and a weak comment on the price rigidity and no 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]

(b) Discuss whether a firm in monopolistic competition is more likely to be in the public interest than a firm that is a monopoly. [13]

Discussion of the characteristics of the two types of market structure. Long run profit will be normal in monopolistic competition but not necessarily so in monopoly. Output is likely to be lower in monopoly; prices are likely to be higher. However, there may be merits of large scale monopoly firms through economies of scale. It may be difficult to make a general overall judgement.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the differences between the two market structures together with a conclusion [9–13]
L3 For a competent comment but with more limited discussion of the two market structures but still with a conclusion [7–8]
L2 For a brief explanation of the structures, limited discussion and no 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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4 Some workers producing non-essential luxury goods or services are paid very highly. The wage rate is not related to the economic value of a good or service but more to social factors or fashion. The economic theory of wages is, therefore, of little use in explaining wage differentials.

Assess this argument. [25]

Discussion of the economic theory of wages. The demand for a product may be influenced by fashion but it will help determine what might be charged for the product. The price charged can be linked, through the marginal revenue, to the marginal revenue product (mrp) demand for labour. The theory, therefore, is still of some merit and the conclusion of the assessment is that the argument is not supported

L4 For a thorough analysis of theoretical wage determination with a clear discussion of the possible link to product value and factor reward whether in perfect or imperfect markets. [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 link to product value. [14–17]
(10–13 for demand and supply)

L2 For a correct but undeveloped theoretical analysis and with a poor link to the question. [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)

5 It is said that the lack of investment funds for private companies from banks leads to temporary closures of factories which then become permanent and cause long-term unemployment. This loss of output will lead to a possible recession.

Analyse each part of this argument and discuss whether you agree with it. [25]

Candidates are expected to consider the argument. First, does the lack of investment funds lead to temporary closures or is it possible that the closure is for other reasons? Second, does a short-term closure necessarily become a long-term closure? Third, do the closures lead to loss of output lead to a recession?

L4 For a clear consideration of each stage of the argument in the question. A reasoned conclusion should be presented [18–25]

L3 For a competent but more limited comment on the argument probably concentrating on the link between investment and closures, or on short term and long term. There should still be some judgement on the conclusion in the question. [14–17]

L2 For an undeveloped discussion of the argument concentrating on only one aspect and with no overall comment on the conclusion in the question. [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 (a) Explain how the age and employment structures of the population of a developing country are likely to differ from those of a developed country. [12]

Explanation of the differences between the birth rates, death rates, migration and between the proportion in primary, secondary and tertiary sectors in developed and developing countries.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation of the characteristics and no 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]

(b) You are told that a country has problems relating to overcrowding, unemployment and pollution.

Discuss whether the existence of such problems necessarily means that the country must be a developing country. [13]

Discussion of the characteristics of a developing country and a recognition that overcrowding, pollution and unemployment also occur in developed countries. These indicators are not significant in determining whether a country is developed or developing.

L4 For a sound discussion and a clear understanding of the possible similarities between developing and developed countries [9–13]
L3 For a competent comment but with more limited discussion of the types of country but still with a conclusion [7–8]
L2 For a brief discussion with no 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]

7 (a) For what purposes do people demand money? [10]

Explanation of the demand for money.

L4 For a sound explanation with clear understanding of the principles involved for the different types of demand [8–10]
L3 For a competent explanation but with limited development. [6–7]
L2 For a more general explanation which presents quite a simplistic approach. [4–5]
L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–3]

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(b) Too much money causes inflation. Discuss the main macroeconomic aims of the government and consider whether it should give priority to the limitation of inflation in achieving economic well-being. [15]

Discussion of the main macro aims and a consideration of which might be the more important to achieve.

L4 For a reasoned discussion of each of the aims, a clearly structured answer together with a conclusion of which aim might be more significant and why [12–15]
L3 For a less developed discussion and without a clear analysis of why one particular aim is better than another and with a weaker conclusion [9–11]
L2 For a limited but acceptable attempt to discuss the aims but in a much more general way and without any conclusion. [6–8]
L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–5]

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