CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2013 series

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 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 2013 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) Comment on the meaning of the two terms: integration, vertical or horizontal, is a merger or acquisition, 2 marks. It may result in economies of scale which reduces long run average total cost but economies of scale can occur within an existing firm without a merger, 2 marks. [4]

(b) Integration is likely to increase costs initially with a rise in both fixed and variable costs. Subsequently there may be savings and average costs may be reduced. Candidates could debate the relative increase in fixed and variable costs, and the relative long run reduction. [4]

(c) Market share remained the same but two of its rivals' market shares declined; revenue up by 4.4% which is higher than two of its rivals; only Sainsbury's improvement was better than Morrisons. [4]

(d) Oligopoly – few firms with the ability to prevent entry into the market. Banks: it is said there is a lack of competition, but this does not necessarily make them oligopolies. They may be able to prevent entry but the information does not comment on this. Supermarkets: there are 4 large supermarkets but many small firms, no evidence of prevention of entry; no evidence of collusion in either banks or supermarkets. Not enough evidence in the article to conclude existence of oligopoly. Up to 5 marks for either banks or supermarkets. [8]

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Section B

General Comments

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 1 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 2 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 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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Mark 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.

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

2 (a) Explanation of the meaning of utility and the analysis which underlies an individual demand curve. When prices change, consumers' choice changes.

L4 For a reasoned explanation linked to more than one good and clearly structured answer which deals with a changing situation. [9–12]

L3 For a fair explanation of utility but an undeveloped answer which deals with more than one good but makes no reference, or just passing reference, to a changing situation. [7–8]

L2 For a limited attempt which does not clearly determine the equilibrium position for more than one good and makes no reference to a changing situation. [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) Discussion of the aims of a firm, whether to maximise profits or to follow some alternative aim.

L4 For a sound discussion and analysis, and a clear understanding of the principles involved with a good comparison of alternative aims and a conclusion. [9–13]

L3 For a competent comment but with limited elaboration of alternative aims but still with a conclusion. [7–8]

L2 For a correct explanation of part of the analysis, with little comment on alternative aims. [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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3 The question presents an argument. Candidates should explain whether the theory does cover a perfect market. They should then debate whether all markets are imperfect and what those imperfections might be. They should then discuss whether the theory can be adapted to an imperfect market by recognising such things as monopsony, institutional factors, government, trade unions. There should be a conclusion to the argument.

L4 For a thorough analysis of theoretical wage determination with a clear discussion of each part of the argument, together with a comment on the conclusion of the argument. [18–25]
(14–17 for demand and supply only although the answer contains a full discussion of the argument)

L3 For a competent explanation of perfect competition but with a more limited discussion of the structure of the argument although the answer itself should come to a conclusion. [14–17]
(10–13 for demand and supply)

L2 For a correct but undeveloped theoretical analysis with scant comment about the structure of the argument, 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)

4 **(a)** Explanation of the link between interest, investment, income and economic growth. The circular flow of income and the multiplier should be expected.

L4 For a sound explanation with good application and a clear understanding of the principles involved. An explanation of economic growth should be given and a comment on the circular flow of the multiplier. [9–12]

L3 For an accurate explanation but with a more limited development and comment although the multiplier should still be mentioned. [7–8]

L2 For a weaker explanation, briefly sketched, with no mention of the multiplier. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory. [1–4]

(b) Analysis of fiscal, monetary and supply side policies which might be used together with a comment on their effectiveness.

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 limited range of policies but still with a conclusion. [7–8]

L2 For a more descriptive account with little evaluation and 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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5 Candidates should consider each part of the statement. They should discuss whether there are many difficulties in measuring living standards and give reasons for their conclusion on this part of the question. They should then consider whether it is possible to compare one country with another and discuss what use national income statistics might be. They should draw an overall conclusion.

L4 For a thorough discussion of the difficulties of measuring living standards, and a clear conclusion to the assertion followed by a consideration of the usefulness of using the statistics to make comparisons. [18–25]

L3 For a competent explanation of the difficulties but with a limited conclusion. There will be some consideration of comparison between countries but this will not be fully developed or extensive. [14–17]

L2 For an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation. The conclusion will be weak. [10–13]

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped. The answer will have some correct facts but include irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–9]

6 **(a)** Explanation of the causes of a rise in unemployment. Candidates should use the different types of unemployment to enable them to comment why they might increase.

L4 For a sound explanation with a clear understanding of the principles involved dealing with at least four types of unemployment. [9–12]

L3 For an accurate but more limited explanation and minor errors in the analysis. Expect at least four types briefly explained, or three types more fully explained. [7–8]

L2 For a correct but brief explanation of three types of unemployment 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) Discussion of the analytical reasons why consumers demand money according to liquidity preference. Transactions, precautionary, speculative motives. Candidates should comment on the effect of the proposed changes on each of the motives. Transactions may decline; precautionary may or may not change, depending upon consumers' attitude to risk. Speculative is unlikely to be affected unless the rate of interest on long term government securities changes.

L4 For a sound discussion with good application and a clear understanding of the principles involved. [9–13]

L3 For an accurate reference to the question but with a more limited discussion and minor errors in the analysis. [7–8]

L2 For a correct discussion 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]

7 (a) Explanation of productive and allocative efficiency.

L4 For a reasoned and clearly structured answer which gives an explanation of both types of efficiency. [9–12]

L3 For a fair but weaker or undeveloped explanation. [7–8]

L2 For an answer which concentrates on one aspect of efficiency. [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 balance between the creation of wealth, income and jobs by the building of an airport by the private sector against the potential destruction of existing environments, with overcrowding, congestion, pollution, and negative externalities. The private sector would not take account of these market failures.

L4 For a reasoned and well argued discussion with accurate development presenting both aspects of the development and a conclusion drawn. [9–13]

L3 For a clear but undeveloped discussion but one which still deals with both aspects of the development. [7–8]

L2 For a limited attempt to consider the case but with a concentration on one side of the discussion. [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis are substantial. [1–4]

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