CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2013 series

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 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) A fall in the general level of prices: candidates could explain it in terms of an excess of national income over expenditure, or withdrawals over injections at the full employment level of national income which causes a potential reduction in national income. [2]

(b) (i) Candidates would need to refer to the table to comment upon the rate of inflation in the 1970s (1 mark). Candidates should also refer to the reactions of firms and the importance of oil in the construction of the price index (2 marks). Identifying one reason to dismiss the view that oil price rises might cause inflation (1 mark). [4]

(ii) Explanation of a budget deficit as an increase in expenditure over revenue. It could be achieved through fiscal or monetary policy. There could be a decrease in T, an increase in G, reduced i. This should encourage borrowing and spending. Extra demand could put pressure on resources which might result in rising prices. Table 1 shows rising prices. [6]

(c) Less likely to be inflationary – smaller % oil price rise than in 1970s which was inflationary; – country less dependent on oil – oil to GDP now 60% of that in 1970s + government reductions in expenditure; also there was a smaller public sector; banking crisis – reduced employment in private sector (6 marks). Some reference to factors that would not support the view that oil prices in 2011 would be less inflationary (1 mark). A conclusion (1 mark). [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

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2 (a) Explanation of principle of allocation with equi-marginal utility as prices change.

L4 For a good explanation linked to more than one good and clearly structured answer with a conclusion about what happens as prices change. [9–12]

L3 For a fair explanation but undeveloped answer but still with some comment about what happens when prices change. [7–8]

L2 For a limited attempt which does not clearly determine the equilibrium position for more than one good or which does determine that but expresses it as a static model and does not consider price changes. [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) There are two parts to the question: whether the market is controlled by the producer and not the consumer, and whether utility theory is valid. The balance between producer and consumer sovereignty may vary between goods and markets but the producer is not the only determinant of market price and output. Utility theory has practical difficulties in measurement and comparison between products but these are the same in perfect and imperfect competition. Imperfect competition does not make the use of utility theory any more problematic.

L4 For a reasoned discussion dealing with both parts of the question. The answer should be clearly structured with a conclusion. [9–13]

L3 For a fair discussion but undeveloped answer which may concentrate on one part of the question or deal with both parts but briefly. There should still be a conclusion. [7–8]

L2 For a limited attempt which deals with only one part of the question and which does not have a 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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3 (a) Explanation of the theory of wages which deals with both supply and demand factors. Given a similar demand, (mrp), the wage level would change if supply was different in different occupations but it is not the sole factor.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved in perfect markets. [9–12]
(D/S only, no mrp, 7–8)

L3 For a competent comment in a perfect market but with a limited development of the analysis. [7–8]
(D/S only, no mrp, 4–5)

L2 For a correct explanation of a limited part of the analysis – perhaps concentrating on supply. [5–6]
(D/S only, no mrp, 3–4)

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]
(D/S only 1–2)

(b) Analysis of marginal revenue productivity theory in imperfectly competitive labour market. The fixing of a minimum wage can be incorporated into the imperfect market model. It would depend where the minimum wage was as to whether it was effective.

L4 For a sound explanation of the analysis and a clear discussion and understanding of the principles involved in imperfect markets. [9–13]
(D/S only, no mrp, 7–8)

L3 For a competent comment of an imperfect market but with a limited development and discussion of the analysis. [7–8]
(D/S only, no mrp, 5–6)

L2 For a correct explanation of a limited part of the analysis – perhaps concentrating on supply. [5–6]
(D/S only, no mrp, 3–4)

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]
(D/S only 1–2)

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4 (a) Explanation of both terms. Deadweight loss – loss of consumer and producer surplus in imperfect competition compared with perfect competition. Price discrimination – charging different prices for the same product requires separation of markets to occur and different elasticities to be profitable.

L4 For a sound explanation with clear understanding of the principles involved. Up to 6 for each term. [9–12]

L3 For a competent explanation but with limited development. Up to 4 for each term. [7–8]

L2 For a brief explanation not clearly explaining the change in surplus nor the criteria required for price discrimination. Up to 3 for each term. [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 benefits of small firms and the advantages of large firms. Candidates could recognise that each has a place, that personal service and individual products may be best suited to small firms but that economies of scale and reductions in cost, and possibly price, might be achieved by larger firms.

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

L3 For a competent discussion but with limited development but still with a conclusion. [7–8]

L2 For a brief discussion concentrating on one aspect only. [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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5 Candidates should distinguish between quantitative and qualitative data and suggest different data which might be useful. They could mention the data used for measuring standards of living – GDP, HDI; they could mention data related to government policy – rate of interest changes, inflation, unemployment, balance of payments, crime; they could mention data that companies might be interested in – profits, growth, market share, consumer perception of products sold; they could mention information consumers might be interested in – income levels, assets, house prices, differences in rates of pay between jobs.

L4 For a thorough explanation of the terms, a competent coverage of data, and a discussion of usefulness and a reasoned conclusion. [18–25]

L3 For a competent explanation but with a more limited range of data and less developed discussion. [14–17]

L2 For an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation. [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]

6 Discussion of the general macro aims of government policy with a comment on whether the two mentioned should be regarded as the most crucial. The effect on economic growth and low unemployment can be developed. Reasons should be given for either choosing or not choosing these aims as the most important.

L4 For a thorough explanation of the aims, a clear analysis of the link between them, a discussion of the possible outcome of a choosing either those aims or alternatives with a reasoned conclusion. [18–25]

L3 For a competent explanation of the aims but where there is only limited attempt to consider the significance of the importance of the aims. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion. [14–17]

L2 For an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation with no conclusion. [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. [1–9]

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7 The answer should identify and describe the necessary conditions for efficient resource allocation and consider what is meant by market failure. It should then consider if these market failures can be overcome by government intervention, and if so by what means.

L4 For a reasoned and clear discussion with accurate development of theory and good links to the statement together with a reasoned conclusion. [18–25]

L3 For a competent comment together with limited elaboration of the analysis or imprecise links to the statement. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion. [14–17]

L2 For a brief explanation but weak or ill-explained links to the statement. The explanation will be undeveloped with some attempt at analysis but only limited evaluation. [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]

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