CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Level

MARK SCHEME for the October/November 2014 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.

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Section A

1 (a) Explanation stating that it is an increase in output or GDP (1), further elaboration of any extra point which mentions, for example, per cent rate of increase, real growth allowing for inflation, time period, short term or long term potential growth (1). **[2]**

(b) Economic growth is achieved by lowering barriers for people to produce (supply) goods and services, lower tax rates encourage extra work, production (supply) increases, lower taxes may also affect profits of firms and willingness of businesses to expand and increase investment. **[3]**

(c) Explanation of supply curve, increased work as wage increases (1), diagram, labels, shape of curve (1), with backward bend as wages increase beyond a certain level (1), tax rate change will shift curve, receive more income for each level of hours worked (1). **[4]**

(d) The article says that the result is similar to how a firm's revenue changes (1), greater than 1 is similar to elastic price elasticity of demand (1), there is a marked response in hours worked (1), thus a reduction in tax causes revenue to rise not fall (1). **[4]**

(e) Discussion of the points mentioned in the article – the difference between the short run and long run, the lack of consistency in the outcome using US figures, the measurement of the sensitivity to tax changes, the difficulty of proving cause and effect. **[7]**

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Section B

General Comments for section B:

The essay questions carry a maximum mark of 25. Try to 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.

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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.

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 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 Explanation of consumer equilibrium MUa / Pa = MUb / Pb.
Explanation of equilibrium for the firm MC = MR. MR and price only the same in perfect competition. Here there may be a similarity in the equilibrium. The significance mentioned in the statement is not correct in other market structures. **[25]**

L4) *For a thorough explanation of the analysis, a clear discussion of the possible link between the two situations, a discussion of the lack of link in imperfect markets.*
A reasoned conclusion. ***18 – 25***

L3) *For a competent explanation of the analysis but with more limited discussion and less clarity about the similarity/differences. The evaluation 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, possibly concentrating on perfect competition. 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 will be substantial.* ***1 – 9***

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3 (a) Explanation of the criteria for price discrimination. Possible, separate markets, profitable, different price elasticities of demand. Application: different size cabins, not discrimination as not the same product. Different prices for a US address is discrimination. Justified if it allows production, employment, further investment to continue. To achieve this businesses may justify discrimination because it will make more profit. **[12]**

L4) *For a reasoned and well argued explanation with accurate development of the analysis with clear reference to the application.* ***9 – 12***

L3) *For a clear but undeveloped explanation but with brief reference to the application, or little reference to the justification.* ***7 – 8***

L2) *For a limited attempt to consider the theory with little application, or general descriptive application with no analytical framework.* ***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***

(b) Explanation of meaning of efficiency (productive, allocative) and discussion of possibility of achieving efficiency in each of the market structures. Both productive and allocative efficiency possible in perfect competition, not both possible in monopolistic competition. **[13]**

L4) *For a sound discussion with good explanation of the analysis and a clear understanding of the principles involved with a reasoned conclusion.* ***9 – 13***

L3) *For a competent comment but lacking development.* ***7 – 8***

L2) *For a limited discussion of the analysis and only very brief development of the ideas.* ***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 (a) Explanation of difference between the two market structures in terms of constant, rising average wage line, existence of monopsony, existence of unions. **[12]**

L4) *For a good explanation, and clear contrast/comparison.* ***9 – 12***

L3) *For either a competent explanation of one market or a weaker explanation involving both markets.* ***7 – 8***

L2) *For a limited attempt with no explicit comparison.* ***5 – 6***

L1) *For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis.* ***1 – 4***

(b) Candidates should deal with both aspects of the question, whether imperfect means it is faulty and also whether this necessitates government intervention. It may be considered 'faulty' if exploitation occurs and wages are forced down and employment reduced. Correction could be by collective bargaining as well as by legislation. **[13]**

L4) *For a sound discussion clearly discussing both parts with a conclusion.* ***9 – 13***

L3) *For a competent discussion of one aspect or a weaker discussion of both parts but still with a conclusion.* ***7 – 8***

L2) *For a general discussion with little evaluation 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***

5 Explanation of increase in injections causing a rise in income and growth via multiplier process. Discussion of disadvantages of growth – resource use, short term vs long term, negative externalities. Explanation of government aims and discussion of possible conflicts – pressure on prices, likely inflation; effect on distribution of income; extra demand may increase imports, effect on balance of payments. There is unlikely to be a conflict with the objective of increased employment. If potential growth increases (PPC moves out) then there may not be conflicts with other government objectives. **[25]**

L4) *For either:a thorough explanation of the analysis of the multiplier, a clear discussion of the possible disadvantages of growth and of the possible conflicts.*
Or: a descriptive account of the multiplier and a thorough discussion of the conflicts.
A reasoned conclusion should be given. ***18 – 25***

L3) *For a competent explanation of the analysis of the multiplier but with more limited discussion and less clarity about the disadvantages/ conflicts. The evaluation will not be fully developed or extensive. There should be a conclusion.* ***14 – 17***

L2) *For an accurate, though, undeveloped explanation with some attempt at analysis but only limited evaluation, possibly concentrating on one of the aspects – disadvantages or conflicts. 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 will be substantial.* ***1 – 9***

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6 (a) Explanation of transactions, precautionary, speculative demand. Transactions related to income, credit cards not related as money is spent without necessarily having been received. Precautionary – credit cards may reduce precautionary demand because future expense may be made not through money saved by through the credit card. The amount left for speculative may increase if left is used for transactions and precautionary. [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 on effect of increase in money supply on interest rates, – with discussion of elasticity of liquidity preference. Effect of changes in interest on investment, with discussion of elasticity of investment schedule and extent of MPS. Effect on international situation with changes in imports, exports, speculation and exchange rates. Potential inflationary effects. 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***

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7 (a) Explanation of the characteristics of a developing country with a conclusion about the statement. **[12]**

L4) *For a good explanation, a clear reference to the statement – including a critique of the statement about international trade – and a conclusion.* ***9 – 12***

L3) *For either a less developed explanation with weaker explicit reference to the statement but with a conclusion.* ***7 – 8***

L2) *For a limited attempt, no explicit reference to the statement and no conclusion.* ***5 – 6***

L1) *For an answer which has some basic correct facts but includes irrelevancies. There will be errors of theory or omissions of analysis.* ***1 – 4***

(b) Explanation of what 'performed well' means. Consideration of whether this is a suitable method of comparison. Consideration of other factors which might be important which are not included directly in GDP – health, housing, education, crime, income distribution. Conclusion on whether it is still possible to make such comparisons but maybe not by using GDP. **[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 on alternative methods.* ***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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