CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Level

MARK SCHEME for the October/November 2015 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.

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Section A

1 (a) Increases in growth cause higher incomes (1) and higher expenditure (1); higher incomes are reported to increase consumer welfare, and increases in welfare increase happiness (1). There is no limit to the extent to which increases in income cease to increase well-being or any elaboration (1). **[4]**

(b) Demand and supply diagram, shift of supply curve, change of equilibrium (up to 1 or 2), explanation of the decrease in total utility (2). No diagram – 2 maximum. **[4]**

(c) Article suggests that wage differentials are more important than absolute levels in determining well-being. However, reduced incomes may mean less spending which could result in lower incomes for everyone. It depends how the revenue from the tax increases is used. Governments could use the revenue to re-distribute income; article does not say that increases in lower incomes have less proportionate increase in welfare than increases in higher incomes. Conclusion. **[4]**

(d) There are advantages to growth. Research states that welfare increases with income, growth increases incomes, no limit on possible increases in welfare. Without growth, essential services cannot be provided, growth necessary to overcome effect of falling real wages. Further general comments can be made, for example, in terms of employment, international competitiveness.

There are disadvantages to increased growth. Calculations are often misleading and do not take account of all costs, example of the airport proposal, wider (external) costs. Further general points can be made, for example, possible pressure on price increases, resource depletion, and change in employment as machines replace labour. Conclusion. One-sided answer up to 5. **[8]**

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 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.

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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.

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 subsections

Level	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 (a) Explanation of the concepts of efficiency in terms of production and allocation.

L4 For a reasoned and clear explanation of both types of efficiency. **[9–12]**

L3 For a competent comment but with either a limited elaboration of the whole analysis or a concentration on one type of efficiency and the likelihood of achieving it. **[7–8]**

L2 For a correct explanation and limited discussion of part of the analysis – probably productive efficiency. **[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) Candidates should explain how increases in competition might affect output decisions and changes in costs. Whether these lead to an approach to productive efficiency once possible opportunities for economies of scale are removed is debateable. It is also debatable whether competition – unless it is perfect – allows allocative efficiency and no account is taken of externalities so social allocative efficiency is not attained.

L4 For an explanation of how competition affects each type of efficiency, a discussion of the possible outcome of a market system with a reasoned conclusion. **[9–13]**

L3 For a competent explanation which does not fully analyse both types of efficiency. There will be some discussion but the evaluation will not be fully developed or extensive. **[7–8]**

L2 For an accurate though undeveloped explanation concentrating on only one type of efficiency (probably productive) with some attempt at analysis but only limited evaluation. **[5–6]**

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 will include irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

3 (a) Analysis in perfect competition of the link between marginal cost of firm and supply of the firm and the sum of the firms' supply curves to form the industry supply curve. Consideration of the lack of a similar relationship in imperfect competition.

L4 For a sound explanation with clear understanding of the principles involved in both perfect and imperfect market structures. **[9–12]**

L3 For a competent explanation but with limited development of perfect and imperfect markets or a full explanation of one type of structure, probably perfect. **[7–8]**

L2 For a general description of only some of the factors. **[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) There are two parts to the answer. First do average costs always fall with increased output? (A consideration of economies of scale.) Second, does it follow that there is no place for a small firm?

L4 For a reasoned discussion and clearly structured answer with a competent assessment of both parts of the answer. A conclusion should be presented. **[9–13]**

L3 For an accurate but less full developed discussion of both parts of the answer or a fuller concentration of one part of the answer, together with a conclusion for 8. **[7–8]**

L2 For a limited but acceptable explanation of economies but with little evaluation or 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]**

4 Candidates need to consider whether the theory does presume only that there is a perfect market and that an exact equilibrium will be achieved. (Theory allows for imperfections and does not prescribe an exact equilibrium in the imperfect market with trade unions.) Candidates then need to consider whether the conclusion in the statement is accurate.

L4 For an explanation of the terms in the statement, a clear analysis of the link between them, a discussion of the imperfectly competitive case with a reasoned conclusion.
(14–17 for demand and supply only.) **[18–25]**

L3 For a competent explanation which does not fully analyse the terms or clearly see the progression, or lack of progression in the argument. There will be some discussion but the evaluation will not be fully developed or extensive.
(10–13 for demand and supply only.) **[14–17]**

L2 For an accurate though undeveloped explanation of some of the terms, probably mentioning imperfect competition but not dealing with the exact equilibrium, with very limited evaluation and no real conclusion.
(6–9 for demand and supply only.) **[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.
(1–5 for demand and supply only.) **[1–9]**

5 (a) Explanation of the use of a budget to determine revenue and changes in government expenditure. The role of fiscal policy in achieving government micro and macro economic aims.

L4 For a sound explanation of the analysis and a clear understanding of the relevance of fiscal policy. **[9–12]**

L3 For a competent comment but with limited development of the role of the budget and the relevance of fiscal policy for government aims. **[7–8]**

L2 For a brief explanation of revenue and expenditure but a weak link to fiscal policy. **[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) Explanation of the transactions, precautionary and speculative demand and discussion of the link to rate of interest. Interest rate link is relevant to the speculative demand.

L4 For a sound explanation of the three demands and a good discussion of the link to interest with a clear understanding with a conclusion. **[9–13]**

L3 For a competent comment on the three demands but with limited development of the analysis and a weaker conclusion for 8. **[7–8]**

L2 For a brief explanation and with no clear explanatory link between the demands and interest and 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]**

6 (a) Investment is determined by the rate of interest, the cost and efficiency of capital equipment, changes in consumer demand and expectations.

L4 For a good explanation with a comment on the determinants and with a comment on the significance of government policy. **[9–12]**

L3 For a fair explanation of the determinants but only a weak comment on the significance of government policy. **[7–8]**

L2 For a limited attempt to consider the determinants but little link to government policy. **[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) Discussion of link between investment and output via the multiplier and subsequent effect on further investment via the accelerator.

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 concentrating on one element – probably the multiplier. **[7–8]**

L2 For a limited discussion of the analysis but with 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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7 Candidates should comment on the relevance of the general descriptions of each type of country and suggest whether the criteria given are limited to only the type of country mentioned. They should then comment on the meaning of living standards and general influences on the standard of living with a brief comment on the value of different indicators, for example, GDP, GDP per capita, HDI.

L4 For a good discussion of both the general criteria, with a conclusion, and the difficulties of comparing living standards. **[18–25]**

L3 For a competent discussion of part of the question – probably that related to the explanation of living standards – with briefer comment on the second aspect of the question. Some attempt at a conclusion will be presented for 16/17. **[14–17]**

L2 For a brief comment on part of the question, with a weak explanation and with no conclusion. **[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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