CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Level

MARK SCHEME for the October/November 2015 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.

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Section A

1 (a) Time period (1), relative change in output (1), removal of price effect (1). **[3]**

(b) Fluctuated after 2007 (1) but is still high (1), still above target (1), continues to grow (1), conclusion (1). **[4]**

(c) Explanation of efficiency/inefficiencies, production, allocation, (2 + 2): Examples included air and water pollution, traffic congestion, poor housing and overcrowding (1). **[5]**

(d) **2 × (example + method of control 2 + evaluation of method).** Two examples from the text (1 mark) with examples of possible policies – sustainable urban planning, low–carbon development, promoting improved public transit systems and improved water treatment rates, methods used, tax, regulation, subsidies, ownership. **[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 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 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.

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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) Candidates should explain marginal utility theory and the allocation of expenditure between products.

L4 For a reasoned and clear explanation of the analysis mentioning the equilibrium position of the consumer involving more than one product. Explanation of change in equilibrium. **[9–12]**

L3 For a competent comment but with a limited elaboration of the analysis. Condition of equilibrium stated. **[7–8]**

L2 For a brief explanation concentrating on one product with only limited reference to the equilibrium position of allocation between different products. **[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) An approach based on the concepts of consumer and producer sovereignty and how different forms of market structure change the balance between these two concepts.

L4 For discussion of meaning of both producer and consumer sovereignty and a discussion of how either may affect the allocation of resources and the market price with a reasoned conclusion. **[9–13]**

L3 For a competent explanation which does not fully analyse both types of sovereignty. Full analysis of one type and limited analysis of the other. There will be some discussion. A limited conclusion required for 8th mark. **[7–8]**

L2 For an accurate though undeveloped explanation concentrating on only one type of sovereignty (probably consumer) 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 include irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

3 (a) Diminishing returns 2 marks, total product 2 marks and marginal cost 2 marks for clear definitions. Diminishing returns; short run concept: adding more of one factor of production, while holding all others constant will at some point yield lower per-unit returns. Total product rises more slowly as diminishing marginal returns occur, and is a maximum when marginal product reaches zero. As marginal product rises, marginal cost falls and vice versa. Marginal cost is linked to average variable cost passing through its minimum point.

L4 For a sound explanation and accurate diagram of the analysis and a clear understanding of the principles and links involved. **[9–12]**

L3 For a competent comment; the diagram may not be quite accurate, and the link not fully explained. **[7–8]**

L2 For a weak explanation of the analysis and a poor diagram with several errors. **[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) Economies are not necessarily caused by integration. It is likely that a reason for integration will be some form of economy but the firm may have other aims for integration – e.g. market dominance, secure input supplies. Economies can be achieved within an existing firm. This does not mean that there is no place for small firms. Small firms have distinct market functions.

L4 For a sound consideration of the principles involved in integration and economies and a discussion on the reasons for small firms. **[9–13]**

L3 For a competent comment on economies but limited discussion on the existence of small firms or vice versa. **[7–8]**

L2 For a weak explanation of the economies and only brief mention of small firms. **[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 (a) 3 marks maximum each for transactions and precautionary, 6 for speculative. This section is an explanation, what each term means and, briefly, what it is dependent upon – income, time of year, possible future purchases, interest rates, level of interest rates and elasticity.

L4 For a sound explanation with clear understanding of the motive. **[9–12]**

L3 For a competent explanation but with more limited comment on what each motive is dependent upon. **[7–8]**

L2 For a general but very brief explanation. **[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) Increase in pay will increase transactions demand, monthly rather than weekly pay will also increase transactions demand. (Candidates might mention the effect of increased use of credit cards where purchases are made but not paid for at the same time. This alters the changes in transactions as income changes.) The lower rate of interest will augment the increased spending and might well encourage more borrowing.
Lower interest causes price of securities to rise and may decrease demand for securities and increase idle balances of money in anticipation of buying when price falls. Lower interest may reduce demand for currency from foreign buyers, causing fall in exchange rate.

L4 For a reasoned discussion on transactions/precautionary – up to 4 on each; on speculative – up to 7, clearly structured answer with a reasoned conclusion. **[9–13]**

L3 For a competent discussion but with less development, transactions/precautionary up to 3 on each, speculative up to 5. A limited conclusion. **[7–8]**

L2 For a weaker attempt which gives only a brief comment and discussion. Transactions/precautionary up to 3, speculative up to 4. **[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 Discussion of the use of national income statistics, GDP and alternative measures, e.g. HDI. Consideration of indicators that might be used both quantitative and qualitative. Discussion of difficulties of comparing even the quantitative indicators in different cultures, climates and economic structures.

L4 For a thorough explanation of the indicators and a discussion of usefulness and a reasoned conclusion. **[18–25]**

L3 For a competent explanation but with a more limited discussion of the difficulties of comparisons, or with a concentration on one measure – probably GDP – and only brief mention of alternative indicators. A limited conclusion otherwise max 16. **[14–17]**

L2 For an accurate though undeveloped explanation with no mention of alternative indicators. **[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 Explanation of the role of interest in determining investment decisions; (high interest may not prevent investment but may discourage investment). Explanation of the link between interest and savings and spending and possibly on prices. Discussion of whether one opinion is correct and the other incorrect or whether both can be correct but which is appropriate depends on the current economic situation.

L4 For a thorough explanation of the role of interest to businesses and to saving/spending and an evaluative comment with a conclusion. **[18–25]**

L3 For a competent explanation with a concentration on either businesses or on saving/spending and with a more limited discussion of which opinion might be correct, but still with a conclusion. A limited conclusion otherwise max 16. **[14–17]**

L2 For an accurate though undeveloped explanation. **[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]**

7 **(a)** Explanation of supernormal profit; possible in perfect competition short run; imperfect competition in short and long run. Explanation of economic rent, contrasted with transfer earnings.

L4 For a sound explanation of both aspects of the theory clearly presented. **[9–12]**

L3 For a competent comment on both aspects of the analysis but with a more limited explanation of the conditions for the existence of supernormal profits. **[7–8]**

L2 For a weak explanation of the theory and no real recognition of the conditions for the existence of supernormal profit/economic rent. **[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 wage determination, imperfect competition, whether there will be unemployment depends on how much 'exploitation' the imperfect market had before the trade union and where the final wage is determined through collective bargaining.

L4 For a sound explanation of the principles involved with a good explanation of the imperfectly competitive labour market, and a discussion of the range of wage negotiation possible with collective bargaining – with a conclusion.
(7–8 no marginal revenue product (MRP)) **[9–13]**

L3 For a competent comment on imperfect labour markets and with a more limited discussion on the final outcome, but still with a conclusion.
(5–6 no marginal revenue product (MRP)) **[7–8]**

L2 For a weak explanation of the theory and a very brief discussion with no conclusion.
(3–4 no marginal revenue product (MRP)) **[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.
(1–2 no marginal revenue product (MRP)) **[1–4]**

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