CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Level

MARK SCHEME for the October/November 2015 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) Brief explanation of productive efficiency, referring either to a production possibility curve (PPC) **or** to the lowest cost of production of a given output with an elaboration. 3 marks for either approach. **[3]**

(b) The machine idea is that the economy is best left without regulation. This does not work and there needs to be some government involvement, the economy is complex. Observations should be given as illustration. 2 marks for each side. **[4]**

(c) Comment on meaning of weak economy (1). Increase spending is an injection (1) multiplier process – and explanation, increase in income and growth (4). **[6]**

(d) Conclusion – there could be thought to be a conflict (1). Last sentence says consumer spending is main job creator. Previously article said government and regulation was necessary. The article previously said consumers were not always rational and things were not always efficient. 3 marks for each side with elaboration/illustration. Up to 4 marks for one side. **[7]**

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.

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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 marginal utility, comparison of marginal change in utility and marginal change in price and the link between consumer equilibrium and demand. The sum of individual demand curves form the market demand curve. Whether individual utilities can be added is debateable.

L4 For a reasoned explanation linked to more than one good and clearly structured answer which includes the relationship of individual curves to the market demand. **[9–12]**

L3 For a fair explanation but undeveloped answer that may concentrate on individual demand, has more than one good but does not link to the market; or tries to mention the market but does not deal with more than one good for individual equilibrium. **[7–8]**

L2 For a more limited attempt that deals briefly with utility and mentions the margin but does not show the equilibrium, nor more than one good and does not link to the market. **[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 relevance of marginal revenue and marginal cost for a profit maximising firm. Discussion of whether firms do indeed seek to maximise profit and, therefore, whether the marginal analysis is relevant.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved with a good attempt at discussing alternative aims. **[9–13]**

L3 For a competent comment on the margin but with limited elaboration of alternative aims. **[7–8]**

L2 For a weak explanation of the margin and only brief mention of 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]**

3 (a) Analysis of long run average cost, discussion of economies and diseconomies of scale; consideration of whether economies occur in smaller firms. A diagram is required.

L4 For a reasoned and clear description of the analysis, an accurate diagram and a discussion of the economies of scale. **[9–12]**

L3 For a competent comment but with either a limited elaboration of the analysis or a diagram showing the relationship between short and long run curves inaccurately. **[7–8]**

L2 For a brief description and an inaccurate and poorly presented diagram and brief discussion of economies. **[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) Description of one imperfect market where collusion occurs. The most usual comparison will probably be oligopoly – although a 'legal' rather than theoretical monopoly may also be used – and a perfect market (possibly even a natural monopoly) in terms of size of firms, freedom of entry, output determination, types of product, information sharing.

L4 For a reasoned and clear discussion of the analysis of two market structures. **[9–13]**

L3 For a competent comment but with a limited elaboration of the differences. **[7–8]**

L2 For a brief discussion concentrating on one market, or a very brief comment on two markets. **[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 Explanation of unemployment and wage determination using marginal revenue product. Depends whether it has been related to an increase in productivity, involves trade unions pushing up wages, or how government minimum wage policy is related to the market price. The long term effects would also depend on whether the industry is experiencing seasonal unemployment, cyclical unemployment or structural.

L4 For a consideration of unemployment causes and a thorough understanding of the analysis of wage determination with a good discussion of the link between the two. There should be a conclusion and a well-structured answer.
(14–17 for demand and supply only.) **[18–25]**

L3 For a good explanation of unemployment but a weaker explanation of wage theory and poorer link between the two with limited differences in possible outcomes. There should still be a conclusion.
(10–13 for demand and supply only.) **[14–17]**

L2 For a correct but undeveloped explanation with only a brief link between the theory and possible employment outcomes and no real conclusion.
(6–9 for demand and supply only.) **[10–13]**

L1 For an answer which contains inaccuracies and only a few correct points.
(1–5 for demand and supply only.) **[1–9]**

5 **(a)** Explanation of meaning of fiscal policy, most likely effect would be from increased taxes, either indirect on sales (the outcome would depend on demand elasticity) or direct on company profits/consumer incomes; it is unlikely that the policy would be a subsidy as they were badly affected.

L4 For a reasoned and clear explanation of the analysis of different types of taxes and of wage policy. **[9–12]**

L3 For a competent comment on either direct or indirect taxes and a briefer comment on wage policy. **[7–8]**

L2 For a brief explanation of both fiscal and wage policy, or a more developed explanation of one aspect but no explanation of the other. **[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) Competition in the statement is from large businesses so it is really imperfectly competitive market. Expect some comment on the outcome of competition, – choice, reduced prices – but also price fluctuations, excess profits, inequality in the distribution of incomes, possible market failure.

L4 For a reasoned discussion on possible outcomes of competition, positive concerning choice and prices and negative with possible market failures. **[9–13]**

L3 For a competent discussion but with less development or a concentration on one side of the discussion. **[7–8]**

L2 For a weaker attempt which gives only a brief discussion. **[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) Explanation of effect on savers, borrowers, business investment, speculators. Higher rates; greater likely return on saving, increased cost of borrowing in order to finance expenditure. Conversely for lower rates. Different reactions might also depend on factors such as income; age of person; career situation; employment prospects; need for single large expenditure in future; time of year, e.g. holidays. Candidates could also mention the proportion of income that is spent or saved which may vary depending on the level of income.

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

L3 For a competent comment but with limited elaboration. **[7–8]**

L2 For a correct explanation of part of the analysis, with little development. **[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) Low rates might stimulate borrowing (unless banks are unwilling to lend) and investment and hence government aims of employment, economic growth. Low rates might lower exchange rate as less demand for currency and increase exports (unless there is a general recession and demand doesn't increase), reduce imports. This may help balance of payments but may help aim of low inflation.

L4 For a reasoned discussion on effects on at least three macro aims with conclusion.**[9–13]**

L3 For a competent discussion but with less development on three macro aims or a fuller discussion and development on two macro aims. Need conclusion for 8. **[7–8]**

L2 For a weaker attempt which gives only a brief discussion. **[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 There should be an explanation of characteristics of a developing economy; there should then be a comment on the statement recognising that not all these things happen, that even if they do they may not always be extensive, and that the statement is one-sided. A comment should be made of the positive side of development and a conclusion presented.

L4 For a discussion of the factors which are involved in the analysis of each the stages of the argument together with a conclusion. **[18–25]**

L3 For a competent discussion of part of the argument – probably that related to the explanation of the characteristics and the disadvantages of development – with briefer comment on the positive aspects. Some attempt at a conclusion will be presented. **[14–17]**

L2 For a brief comment on part of the argument, with a weak discussion 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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