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ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2016**

MARK SCHEME

Maximum Mark: 70

Published

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Section A

1 (a) explanation (2), fiscal: subsidies, investment, government expenditure; (1) monetary: low interest rates; increased bank lending, increased money supply (1) [4]

(b) unemployment caused by technological change or new methods of production (technological). (1) Technological change usually requires new training or possibly occupational or geographical mobility. Presumably it was thought that the training could not be achieved by the less skilled and elderly. (2) [3]

(c) Short run equilibrium may not coincide with the sustainable full-employment level of real output – the level at which the economy is achieving its economic potential. Aggregate demand may be insufficient. Diagram, 1 for labels, 1 for equilibrium, 1 for potential equilibrium, explanation 2 [5]

(d) policies included raising the minimum wage, increasing unemployment benefits, increasing money supply, increasing public sector jobs. Some thought the new jobs would not be able to be taken by the unemployed because of lack of skills.

Others thought the creation of new jobs was a good policy and resulted in a long term increase in employment. They also supported government investment, particularly as investment could be financed by relatively cheap borrowing. They opposed credit expansion in the private sector. Evidence was given about long-term job creation but not much else. [8]

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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 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 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).

18–22 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.

23–25 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.

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 The answer should consider the initial proposition and comment on its validity. It should then identify and describe the necessary conditions for efficient resource allocation and consider whether it can be achieved by the 'invisible hand' of the market and whether this is because of the complexities of a modern economy. [25]

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]*

3 **(a)** Explanation of the construction of an indifference curve and determination of equilibrium with given income and given prices using budget lines. Derivation of a point on the demand curve from the equilibrium point. [12]

L4 *For a sound explanation of indifference curves and a clear link to the demand curve with accurate clear diagrams and a clear understanding of the principles involved* *[9–12]*

L3 *For an accurate reference to the question but with a more limited explanation, perhaps omitting a clear link to the demand curve, or with minor errors in the analysis or in the diagrams* *[7–8]*

L2 *For a briefer explanation of indifference curves and equilibrium position but with no link to the demand curve; or with inaccurate diagrams and weak explanation.* *[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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(b) A price fall is reflected in a change in the budget line (pivot from point on axis of good with no price change) with a subsequent change in equilibrium. The equilibrium change involves substitution and income effects. Substitution effect would be in the opposite direction to the price change. The income effect represented by a parallel shift of the budget line is in the same direction as the substitution effect for the normal good but in the opposite direction, and greater than, the substitution effect for the Giffen good. [13]

L4 *For a reasoned and clear discussion, logically presented dealing with income, substitution, normal, Giffen and linked to demand.* *[9–13]*

L3 *For a fair but undeveloped discussion probably concentrating on income, substitution without mentioning different types of goods with either a brief comment about the individual demand curve or no discussion about the demand curve* *[7–8]*

L2 *For a limited explanation with a lack of development of both income/substitution and normal/Giffen goods* *[5–6]*

L1 *For an answer which has some basic correct facts but includes irrelevancies and errors of theory* *[1–4]*

4 The question presents an assertion. Candidates should discuss whether the theory does explain differentials in wage rates, and comment on the conclusion presented. The examples given can be used to illustrate the answer, reference may be made to the private/public sector examples and possible political issues in fixing wage rates. [25]

L4 *For a thorough analysis of theoretical wage determination together with a comment on the conclusion of the argument. 18–25 (14–17 for demand and supply only although the answer contains a full discussion of the argument)*

L3 *For a competent explanation of wage theory but with a more limited discussion of the conclusion. 14–17 (10–13 for demand and supply)*

L2 *For a correct but undeveloped theoretical analysis with no comment on the conclusion in the statement. 10–13 (6–9 for demand and supply)*

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

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5 (a) Comment on the link between the firm and industry, the importance of mc = mr, the possibility of abnormal profit in the short run and the changes in demand or supply resulting in normal profit in the long run. [12]

L4 *For a sound comment with good explanation of the analysis and a clear understanding of the link between the firm and industry and the possible change between the short run and the long run.* *[9–12]*

L3 *For a competent comment but with more limited explanation of the link between the firm and industry or a limited explanation of the change between the short run and long run* *[7–8]*

L2 *For a brief explanation and with a weak discussion of the links* *[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 outline of the main conditions necessary for effective price discrimination. Should include, separate markets, different elasticities and possible benefits for the firm – and maybe consumer – if price discrimination allows costs to be covered. [13]

L4 *For a sound explanation of price discrimination and a clear understanding with a conclusion* *[9–13]*

L3 *For a competent comment but with limited discussion and a weaker conclusion.* *[7–8]*

L2 *For a brief explanation of the concept and a weak comment on the possible advantages 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]*

6 (a) Candidates can chose any three major macroeconomic aims and comment how achieving them might cause conflicting results.

L4 *For a sound explanation of the aims and a clear understanding of possible conflicts between them* *[9–12]*

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

L2 *For a brief explanation of the aims and a weak comment on the possibilities of conflict.* *[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) Approval for major projects may affect employment, incomes, demand, revenues, compensation, resource use, trade balances, investment decisions with consequent implications for national income, growth and standards of living.

L4 *For a reasoned discussion and clearly structured answer dealing with the application of policies and a judgemental comment on their influence.* *[9–13]*

L3 *For a discussion, but without such a full development or without a clear indication of the link between the micro policy and the macro implications and with a weaker conclusion.* *[7–8]*

L2 *For a limited but acceptable attempt to discuss policies in general terms with only a weak judgement on the links.* *[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]*

7 **(a)** Description of the nature of a developing economy in terms of its GDP, GDP per capita, productive capacity, standards of living, health, education, sanitation, occupational structure of the population, age structure of the population with a comment on the key elements which need to be developed. [12]

L4 *For a sound description with clear understanding of the characteristics and a clear conclusion* *[9–12]*

L3 *For a competent description but with limited development and no comment about which elements need to be developed.* *[7–8]*

L2 *For a general description of only some of the factors 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]*

(b) Candidates may write about the use of GDP, GDP per capita, HDI, MEW but they should comment on the reason why they have chosen the indicator they use. They should also comment on the effectiveness of the indicator. [13]

L4 *For a sound comment with clear understanding of the effectiveness of the indicator and a clear conclusion* *[9–13]*

L3 *For a competent comment with limited development but still with a conclusion* *[7–8]*

L2 *For a general description with little comparison of merits 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]*

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