Cambridge International AS & A Level

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ECONOMICS **9708/43**

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

MARK SCHEME

Maximum Mark: 70

Published

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 of value of currency in terms of other currencies. Interest rate rise should cause an increase in demand for currency which increases its value. It was hoped that the currency would appreciate. **[2]**

(b) 2 for descriptive distinction, 2 for examples **[4]**

(c) Increasing interest rates makes borrowing more expensive, less demand, less pressure on prices, possible reduction in the rate of inflation. High rates makes savings more attractive so there is an increased demand for the currency. If the country was in recession high rates might make the situation worse as growth in output would be reduced. The article mentions the effect on inflation, economic growth, effect on imports/exports, effect on trade, effect on developed as well as developing countries. **[8]**

(d) Only one year, do not know how the figure compares to previous year, so cannot compare changes. However, high rates in Brazil, Argentina, Turkey with inflation higher than other countries; Low rates in UK, Germany with lower inflation than other countries. No consistent conclusions about link between interest rate and growth – e.g. high rate in Argentina, low growth; high rate in Turkey, higher growth than other countries. **[6]**

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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 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.

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 – there is a premise concerning the theoretical analysis. The curves do show the relation between goods and although levels of income and prices are not shown on the diagrams the analysis rests on the assumption of a given income and given prices. Changes in either can be reflected in the analysis and can be linked to a demand curve. **[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 characteristics of both markets in terms of price determination, profit levels, branding, size, barriers to entry. **[12]**

L4 *For a sound explanation of the analysis and a clear understanding mentioning at least four comparisons.* *[9–12]*

L3 *For a competent comment but with limited development of the analysis or a fuller analysis of three comparisons.* *[7–8]*

L2 *For a brief explanation of the characteristics and a weak comment or a fuller explanation of only two comparisons.* *[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 two types of market structure. Long run profit will be normal in perfect competition but not necessarily so in monopoly which usually results in higher prices in monopoly. Output is likely to be lower in monopoly. However, economies in monopoly may lead to lower prices. **[13]**

L4 *For a sound discussion with good explanation of the analysis and a clear understanding of the differences between the two market structures, allowing for economies and possible lower prices, together with a conclusion.* *[9–13]*

L3 *For a competent comment but with more limited discussion of the two market structures but still with a conclusion.* *[7–8]*

L2 *For a brief explanation of the structures, limited discussion 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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4 (a) Explanation of meaning of terms. Economic rent and transfer earnings should be shown on a wage diagram. The amount of each may change with the fixing of a minimum wage but the extent will depend on whether the wage is fixed above of below the original equilibrium. If below the minimum wage has no effect, if above, supply is horizontal and economic rent disappears. **[12]**

L4 *For a sound explanation of the analysis and a clear understanding of the principles involved in perfect markets. [9–12] (D/S only, no mrp, 7–8)*

L3 *For a competent comment in a perfect market but with a limited development of the analysis. [7–8] (D/S only, no mrp, 4–5)*

L2 *For a correct explanation of a limited part of the analysis – perhaps concentrating on supply. [5–6] (D/S only, no mrp, 3–4)*

L1 *For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–3] (D/S only 1–2)*

(b) Analysis of wage theory would give different wages depending on the market forces of supply and demand for labour but in imperfect competition institutional factors – unions and government – need to be included. Whether market forces or institutions are more significant will vary between industries. **[13]**

L4 *For a sound explanation of the analysis and a clear understanding of the principles involved together with a judgement on the relative significance of market/institutional factors [9–13] (D/S only, no mrp, 7–8)*

L3 *For a competent comment but with a limited development of the analysis and an imprecise conclusion about the significance. [7–8] (D/S only, no mrp, 4–5)*

L2 *For a correct explanation of a limited part of the analysis. No conclusion. [5–6] (D/S 3–4)*

L1 *For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–3] (D/S only 1–2)*

5 (a) Explanation of the different causes of unemployment with a comment on the significance for the candidate's country. **[12]**

L4 *For a clear explanation with accurate development of at least four causes of unemployment and a comment on their own country. [9–12]*

L3 *For a clear explanation of at least three causes or more than three with undeveloped explanation or lack of comment on significance. [7–8]*

L2 *For a limited attempt with little development of either causes or significance. [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) Discussion of the links between the aims. Full employment and growth may be possible, but either may cause increased demand and may cause inflation. **[13]**

L4 *For a sound discussion with clear debate about the links with a conclusion.* *[9–13]*

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

L2 *For a brief explanation and with a weak discussion 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)** Description of the nature of a developing economy in terms 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 conclusion as to whether low income per person is the distinguishing feature. **[12]**

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

L3 *For a competent description but with limited development but with a conclusion.* *[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) Discussion of problems of comparing national income over time between countries; for example, price changes, population changes, quality of goods, externalities, income distribution, subsistence farming/home production, climate, cultural issues and consumption patterns. Better answers should try to comment on the significance of the factors to developing countries rather than just give a general description. **[13]**

L4 *For a sound comment with clear understanding of the difficulties of comparison and a clear conclusion which relates the factors to developing countries.* *[9–13]*

L3 *For a competent but less developed comment and limited link to developing countries.* *[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.*

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7 The answer should consider the initial proposition – there is an premise and a conclusion – and comment on its validity. This involves identifying and analysing the necessary conditions for efficient resource allocation and considering whether efficiency can be achieved by the price mechanism.

[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]*

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