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ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2017**

MARK SCHEME

Maximum Mark: 70

Published

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LEVELS OF RESPONSE MARKING DESCRIPTIONS FOR ESSAY QUESTIONS

Please also see the mark scheme for each part of each essay, detailing the ranges of marks to be awarded for each Level, and some illustrative content.

Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L4	detailed knowledge of relevant facts and theory perceptive understanding of the specific requirements of the question throughout the answer	relevant, apposite illustrations and specific examples are introduced to add depth and fullness to the answer recognises the underlying economic concepts and principles and applies these in relevant situations to develop the answer	detailed, precise and purposeful description, explanation and analysis using appropriate economic terms and concepts correctly and fluently draws clear, reasoned conclusions a sound, well-structured answer	critical evaluation of the issues, considering relevant information and economic principles distinguishes between facts, hypotheses and/or value judgements challenges assumptions of the question or model
L3	adequate knowledge of relevant facts and theory a reasoned understanding of the question's requirements shown in the answer	some appropriate relevant illustration or examples seen but they may be quite general or not very full applies theory and facts with accurate reference to the question to develop the answer	straightforward, satisfactory analysis: generally clear statements, supported by reasoned arguments including some specific economic terms and concepts draws some conclusions a functionally organised answer	partly complete evaluation of the issues in terms of either relevant information or economic principles attempt to distinguish between facts, hypotheses and/or value judgements attempt to comment on assumptions
L2	identifies some relevant facts and/or theory the answer overall has a general relevance to the question, showing some understanding	illustration may not be fully relevant and is superficial or overgeneralised an accurate application of some related theory or fact(s), with little or no development	some analysis present but limited by omissions, error(s), irrelevant details or unclear communication conclusions may not be drawn from it a disorganised answer	some evidence of an ability to evaluate, discriminate, or to make basic judgements, considering some relevant information

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Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L1	shows some relevant knowledge the answer indicates that the question has not been correctly understood	barely relevant, minimal or tangential illustration basic errors of theory or of fact with inadequate development	any analysis present is likely to have major errors, omissions or be mostly irrelevant	minimal or no evidence of the evaluation skills of criticism, judgement or discrimination in the answer

Question	Answer	Marks
1(a)	the value of the production of goods and services in the United States, in a given period, adjusted for price changes, not taking account of depreciation	**3**
1(b)	changes can affect exchange rates, demand for exports, cost of imports, level of spending, examples from extract	**4**
1(c)	briefly explain circular flow of income, 2, the items listed are all the major components of aggregate demand. Consumption expenditure increased but at a slower rate.1. Exports decreased.1. The overall absolute change is uncertain as the information does not give absolute levels but it is likely that the slow increase or fall in injections accounts for the change in GDP through multiplier process 2.	**6**
1(d)	house price rises, fall in unemployment, wage increases, lack of price rises could all encourage spending. Falling oil prices may have encouraged investment, inflation elsewhere may have made US exports comparatively cheaper. 1 for identifying, 1 for explaining (×3) 1 for conclusion	**7**

Question	Answer	Marks
2	Explanation of efficiency. Competitive markets may achieve efficient outcomes but individual actions are not always best for society as a whole. Further, privatisation does not necessarily mean increased competition. Discussion of reasons for market failure and necessity/desirability of government intervention to achieve efficiency. This could be by persuasion (nudge theory) rather than by enforcement. Nudge theory, originally an ethical idea not a government manipulative tool, involves designing choices to encourage decision making in wider positive interests of society. But it can be used in government context. *L4 for an accurate discussion of efficiency and competition, privatisation, market failure, with examples and a conclusion about the need for government intervention.* **18–25** *L3 for a competent explanation of productive and allocative efficiency and more limited discussion of whether privatisation necessarily results in more competition, and of the reasons for market failure and the need for government.* **14–17** *L2 for a briefer analysis of efficiency and of market failure with few examples and no comment about whether privatisation is the same as increased competition and no conclusion.* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

Question	Answer	Marks
3	Explanation of indifference curves, income, substitution of a price change. These can then be related to a demand curve to show the effect on demand of a price change and determine the possible change in revenue, and maybe profits, depending on the type of good. *L4 for a reasoned and clear discussion, logically presented dealing with income, substitution, link to the demand curve, and clear link to importance for manufacturers. Maximum 21 with no conclusion.* **18–25** *L3 for a fair but undeveloped discussion probably concentrating on income, substitution effects without a clear link to demand, or without a clear analysis of the possible effect on manufacturer's revenue through elasticity.* **14–17** *L2 for a briefer comment on income/substitution, no link to demand, no pertinent comment on revenue/elasticity or normal/inferior goods* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

Question	Answer	Marks
4(a)	Analysis of role of mc with mr as maximum profit point. AVC significant if sub-normal profits are being made. *L4 for a sound explanation and a clear understanding of the principles involved for both mc and avc.* **9–12** *L3 for a competent comment but with limited elaboration probably concentrating on mc but with brief reference to avc* **7–8** *L2 for a correct but brief reference to both aspects or fuller reference to one aspect and no comment on the other.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**

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Question	Answer	Marks
4(b)	Meaning of prisoner's dilemma. Firms that are interdependent cannot act independently of each other. A firm operating in a market with just a few competitors must take the potential reaction of its closest rivals into account when making its own decisions and anticipate the likely response of a rival to any given change in their price, or non-price activity. They need to devise possible options based on how they think rivals might react. Oligopolists have to make strategic decisions, such as -whether to compete/collude with rivals, raise/lower/keep price constant. Introduce new strategy or follow others. *L4 for a sound explanation with good illustrations and a clear understanding and discussion of the principles involved of both* **9–13** *L3 for a competent comment on either the dilemma but with limited development of the application to oligopoly, or vice versa.* **7–8** *L2 for an undeveloped comment on the dilemma with only a brief application to oligopoly.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
5(a)	Explanation of perfect market demand (mrp) supply and determination of wage rate in the market and also for the firm. *L4 for a sound explanation and a clear understanding of the principles involved* **9–12** **(7–8 D&S)** *L3 For a competent comment but with limited elaboration. No mrp maximum L3* **7–8** *L2 for a briefer explanation, probably not fully explaining the equilibrium.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**

Question	Answer	Marks
5(b)	Wage rate likely to be reduced, unless collective bargaining raises it, mrp will move left as MR no longer = to AR, so MPP x MR is lower. Employment probably reduced unless union negotiates or there is a government wage. Really need mrp analysis show the changes. *L4 for a thorough analysis of wage determination with a clear comparison of perfect and imperfect markets.* **9–13** *L3 for a weaker analysis and critique of the possibility of the changes probably concentrating on wage level.* **7–8** *L2 for a correct but undeveloped analysis with only a brief discussion and no real conclusion* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
6	Each part of the statement should be considered. There should be a discussion of whether there are many difficulties in measuring living standards and reasons given for the conclusion on this part of the question. There should then be a consideration of whether it is possible to compare one country with another and discuss what use the statistics might be. There should be an overall conclusion. *L4 for a thorough explanation of the difficulties of measuring living standards and a clear conclusion to the assertion followed by a consideration of the usefulness of using the statistics to make comparisons.* **18–25** *L3 for a competent explanation of the difficulties but with a limited conclusion. There will be some consideration of comparison between countries but this will not be fully developed or extensive.* **14–17** *L2 for an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation. No real conclusion.* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

Question	Answer	Marks
7(a)	There is a distinction between monetary policy and fiscal policy. Monetary policy involves measures to influence economic activity, specifically by manipulating the supplies of money and credit and by altering rates of interest. Fiscal policy influences the economy by the use of taxation and government spending. Supply side policy aims to influence aggregate supply. Supply side policies refer to factors affecting the quantity or quality of goods and services produced. This includes the level of productivity, investment in research, the training of labour. This can be linked to fiscal policy through tax incentives, government subsidies, government spending, or monetary policy through interest rate changes. Provision of information, wage legislation, regulation, deregulation, trade incentives do not overlap as much. *L4 for a sound explanation of the analysis and a clear understanding of the three types of policy.* **9–12** *L3 for a competent comment but with more limited explicit explanation of the distinction* **7–8** *L2 for a brief explanation and with no explicit comment on any distinction* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
7(b)	Fiscal policy can be used through tax changes, direct and indirect, or through government spending – welfare payments, grants. Monetary policy can be used to affect savings and potential future earnings, investment and potential employment. Supply-side policies can be used to encourage training and skills and potential increases in wages, competition an regulation to keep prices lower, minimum wages to encourage people to work. *L4 for a reasoned and well-argued discussion with clear explanation of possible income changes and the relevance of each policy group, with a conclusion. 10 maximum if no conclusion.* **9–13** *L3 for a clear but undeveloped discussion of possible influences on income from all three groups of policy, or a fuller discussion of two groups.* **7–8** *L2 For a limited attempt to consider the question but without a balanced approach, limited to one or two groups and with no conclusion.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**