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ECONOMICS **9708/42**

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)	**Identify three changes in the economic indicators in Table 1 that could be used to explain why households should have benefitted from the economic recovery.** Lower inflation rates (5.2% → 1.2%), lower interest rates, rising house prices, lowering of household debt to income ratio.	**3**
1(b)	**Use evidence in the information to explain why some households 'faced a fall in living standards' even though unemployment continued to decrease.** Wages growth lower in 2014 than 2008, wages growth lower than rate of inflation in both 2008 and 2014 therefore real household disposable income per head is less in 2014 than in 2008. Lower interest rates. Lost jobs in public sector**.** **2 × (1+1 Explanation)**	**4**
1(c)	**Analyse why entrepreneurs in the private sector would have been encouraged to create more jobs during the economic recovery.** Job losses in the public sector; recovery not strong in construction, agriculture and production. Lowest ever interest rates (0.5%) encourages investment. lower wages growth (3.2% reducing to 0.7% which is lower than inflation rate), allows entrepreneurs to reduce costs per unit of labour employed. Potentially higher profits if wage increases are below price increases. **3 × (1+1 Development) max 5**	**5**
1(d)	**Identify two economic policies in the information and consider to what extent there is evidence to indicate that while these policies may lead to a recovery of the economy the benefits are uneven.** Answers must **show positive and negative effects of 2 macro policies** and how these effects may affect **different groups**. Policies: fiscal policy-cutting govt. spending; monetary policy –interest rate, QE/Money supply; supply-side policy – encouraging more private activity. **2 × (1 Policy+1+explanation+1 benefit+1 limitation)** **Max 6 marks if 2 examples are from same policy group and benefits and limitations are repeated.**	**8**

Question	Answer	Marks
2(a)	**Explain what is meant by economic efficiency. Analyse what happened to economic efficiency in that country as a result of this movement** **Explanation of meaning of economic efficiency and explanation of the analysis which ensures an efficient optimum may be reached. Productive efficiency will increase but it is not possible to tell whether this movement to the curve achieves allocative efficiency.** *L4 for a thorough explanation dealing with productive and allocative efficiency and a comment on **both** efficiencies in relation to the PPC.* **9–12** *L3 for a competent but less developed explanation of both the terms or a developed explanation of one of the terms with accurate but limited discussion about the movement.* **7–8** *L2 for a correct but brief explanation with some attempt at analysis possibly with only one type of efficiency correctly elaborated.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
2(b)	**Discuss whether government intervention in the economy is a necessary and sufficient condition for overcoming inefficiency in resource allocation.** **Individual actions are not always best for society as a whole. 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. Government intervention may thus be necessary, but it need not be sufficient to overcome inefficiency as there may be inefficiency in government through lack of information.** *L4 for an accurate discussion of market failure, with examples and a conclusion about the need for government intervention and whether such intervention is necessary **and** sufficient.* **9–13** *L3 for a more limited discussion of the reasons for market failure and the need for government but **without** a comment on whether such intervention is sufficient to overcome market failure* **7–8** *L2 for a brief analysis of market failure with few examples and no conclusion about necessity or sufficiency* **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
3(a)	**Analyse how indifference curve theory explains why a consumer will normally buy more of a good at a lower price than at a higher price.** **Explanation of indifference curves, equilibrium point, b) link between indifference curves and demand curve c) discussion of how reduced price can affect equilibrium/demand for a normal product, shift of budget line.** *L4 for a reasoned answer with a conclusion illustrating all the points, shape of curve, equilibrium, construction of demand curve, change in price, change in demand,* **9–12** *L3 for a competent answer that deals with part of the analysis, probably only briefly linking equilibrium to demand.* **7–8** *L2 for a less developed answer referring to indifference curves and budget lines.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
3(b)	**Discuss why there might be exceptions to this normal response, distinguishing the income effect from the substitution effect. Consider the relevance of these exceptions to firms and the government.** **Discussion of inferior, (negative income does not outweigh positive substitution for price fall) GIffen goods, (negative income outweighs positive substitution for price fall). Effect on likely revenue to the firm, on tax revenues to government, relevance of price, income elasticity.** *L4 for a sound explanation and discussion with good illustrations and a clear understanding of the principles involved with accurate links and a reasoned evaluation referring to firms and government..* **9–13** *L3 for a competent explanation of the terms with accurate but limited discussion with some analysis of the links.* **7–8** *L2 for a correct but undeveloped explanation with some attempt at analysis but only brief discussion.* **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
4(a)	**Reasons for growth of firms, reasons for existence of smaller firms.** *L4 for a sound explanation with good illustrations and a clear understanding of the principles involved* **9–12** *L3 for a competent comment with limited development. One sided approach max 7.* **7–8** *L2 for a limited but acceptable attempt to consider differences or reference to different market structures only.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
4(b)	**Discuss who might benefit and who might lose when a market becomes dominated by a few large firms** **Discussion of effects of larger firms in terms of reduced output, higher prices, higher profits, but possibly more research, innovation, product branding, economies.** *L4 for a sound explanation with good illustrations and a clear understanding of the principles involved* **9–13** *L3 for a competent comment with limited development. One sided discussion max 7.* **7–8** *L2 for a limited but acceptable attempt to consider differences* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

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Question	Answer	Marks
5	**The merit of the economic theory of wage determination is that it clearly shows what the best level of wage rates should be and thus is evidence that there is no need for either the government or trades unions to fix wages.** **Analysis of wage determination and employment levels. Consideration of perfect and imperfect markets. Discussion of meaning of 'best level' – for whom? (worker, employer) with relation to what? (Employment levels, wages, productivity, efficiency of firm, safety issues?) For whom?** *L4 for a thorough critique of the statement and an explanation of the analysis of wage determination with a clear comparison of perfect and imperfect markets. A sound discussion about meaning of 'best'. Max 21 no conclusion.* **18–25** *L3 for a weaker critique of the statement but a competent explanation of imperfect market wage determination and a consideration of the meaning of 'best'. Max L3 if no MRP.* **14–17** *L2 for a correct but undeveloped analysis with only a brief comment and recognition of the range of relevant issues to consider.* **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
6	**Whether a country can be classified as developed depends on the value of its GDP and the higher the GDP the better it is for the country. Consider this opinion** C**andidates should consider the assertion. First they should comment on the merit of using the value of GDP as an indicator of development, then they should consider whether a high GDP is always beneficial for a country. Real GDP per capita. Alternative measures e.g. HDI. Positive and negative effects of growth.** *L4 For a clear explanation of GDP and comment on the merits and limitation of using GDP, comment on the merits and limitation of growth of GDP, a clear assessment of the assertion in the quote and a reasoned evaluation.* **18–25** *L3 For a competent explanation which does not fully analyse the merits and limitations of using GDP or does not comment on the possible positive/negative effects of growth. There will be some discussion but the evaluation will not be extensive.* **14–17** *L2 For an accurate though undeveloped explanation of the use of GDP but with little evaluation of its limitations or of the negative side of growth.* **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**	**25**

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Question	Answer	Marks
7(a)	**Consider what are likely to be the main causes of unemployment.** **Explanation of the various types of unemployment.** *L4 For a clear explanation with development of at least four types of unemployment, cyclical, structural, frictional, seasonal, real-wage (classical), voluntary* **9–12** *L3 For a clear explanation of three types or more than three with undeveloped explanation.* **7–8** *L2 for a limited attempt with little development* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
7(b)	**Discuss whether a reduction in unemployment should always be the main aim of government policy** **Discussion of the different aims of government policy, both macro and micro could be mentioned, with a comment on their relative importance.** *L4 For a sound discussion with good explanation of the aims and a clear understanding of the relative choices with a conclusion. Max 10 no conclusion.* **9–13** *L3 for a competent analysis, with a limited attempt at a comment on the relative importance.* **7–8** *L2 for a correct explanation but no attempt at a discussion of the relative importance and no conclusion. Max if unemployment only.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**