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ECONOMICS **9708/43**

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

MARK SCHEME

Maximum Mark: 70

Published

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Question	Answer	Marks
1(a)	positive: objective, can be tested. Normative: value judgement. 2 First paragraph has both. Use of 'should' – normative, others positive. 2	**4**
1(b)	group acting together, fixes output, fixes prices, prevents competition,	**4**
1(c)	comment on meaning of economies of scale and seeming relevance to large international markets.	**4**
1(d)	some evidence to support about consultancies, lack of innovation, acquisitions not innovation, managerial problems (e.g. of banks), tendency to cartels – but no figures, or details. There is also evidence about niche markets, economies of scale, international trade – but no details or success rates, price changes, costs, whether profits have improved. no source for surveys re young people. Oversimplification of role of state. Some normative words: dull identical brands, innovate badly, give pretended meaning to their aim. Article presents negative side of large business and beneficial side of smaller businesses. Not a balanced view. Max 7 no conclusion	**8**

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Question	Answer	Marks
2(a)	Explanation of indifference curves, description of normal good, (positive substitution, positive income) inferior, (negative income does not outweigh positive substitution for price fall) Link to demand curve, showing possible different slope of curve and different price elasticity. *L4 for a reasoned answer with a conclusion illustrating all the points, shape of curve, equilibrium, construction of demand, 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 curve* **7–8** *L2 for a less developed answer probably the demand curve link, or mention of elasticity* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
2(b)	Discussion of consumer theory; is it likely that consumers behave irrationally, is it possible to construct indifference curves, calculate marginal utility, elasticity, price equilibrium. *L4 for a sound discussion and comment with good illustrations and a clear understanding of the principles involved. 10 max no conclusion.* **9–13** *L3 for a competent but less developed discussion idea of rationality or a more limited debate about the realism of the demands of the theory.* **7–8** *L2 for a correct but undeveloped explanation with some attempt at analysis but only brief discussion 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**

Question	Answer	Marks
3(a)	Explanation of profit maximisation rule, may operate when TR less than TC in short run provided AR is at least equal to AVC *L4 for a sound explanation with good analysis and a clear understanding of the principles involved for both parts of the question* **9–12** *L3 for a competent comment on profit maximisation with concentration on normal/abnormal profit, little comment about short/long run,* **7–8** *L2 for a less developed answer, concentrating on maximum profit point, and poor understanding of significance of AVC* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
3(b)	Oligopoly theory assumes there profit maximisation, (price match supports this); product differentiation/advertising, (supports); concern about competitor's actions – interdependence, (supports); prices relatively constant, (debateable support); few large firms (large – supports, few – debateable); possible collusion (not supported). *L4 for a discussion of at least 4 of the assumptions and comment on price matching with overall conclusion* **9–13** *L3 for a discussion of 3 points with reasoned analysis and comment.* **7–8** *L2 for a more general or imprecise answer mainly concentrating on the theory with little focus on the question.* **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	Discussion of wage determination. Question refers to any labour market so both perfect and imperfect markets can be considered. Reduced subsidy increases costs. Outcome would depend on balance of increased costs against demand (MRP) *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. There should be a conclusion and a well-structured answer.* **18–25 (14–17 D&S)** *L3 for a weaker critique of the statement but a competent explanation of imperfect market wage determination. Max L3 without 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. 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
5(a)	Analysis of the causes of an increase in unemployment. Although the information is essentially the same as the static causes of unemployment candidates should make some comment about the reasons for an increase in unemployment drawing attention to what might have changed to result in such an increase. *L4 For a sound explanation with a clear understanding of the principles involved dealing with at least four types of unemployment* **9–12** *L3 For an accurate but more limited explanation and minor errors in the analysis. Expect at least four types briefly explained, or three types more fully explained.* **7–8** *L2 For a correct but brief explanation of three types of unemployment not necessarily logically presented* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
5(b)	Discussion of the likely impact of unemployment – reduced expenditure by consumers, but possibly increased expenditure by governments on training programmes, benefit schemes; reduced incomes, reduced rate of economic growth, social factors and impact of unemployment. *L4 For a sound discussion with good explanation of the possible outcomes. 10 max no conclusion* **9–13** *L3 For a competent comment but with limited development.* **7–8** *L2 For a brief explanation and with a weak discussion and no 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(a)	Assessment of the use of GDP as an indicator compared with alternative indicators, comment on the relevance of GDP for classification of developing countries, value other characteristics for the classification. Comment that the table only relates to 1 year. *L4 For a full coverage of problems of data collection, and a discussion of usefulness and drawbacks of using GDP, link to developing status* **9–12** *L3 For a competent but more limited discussion of the validity of using GDP, only brief link to developing status* **7–8** *L2 For a general comment with nothing on alternative measures and with no explicit link to developing status.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
6(b)	Explanation of the benefits of growth in terms of increases in income, productive capacity, trading position, employment, profitability, standards of living. *L4 For a sound explanation with clear understanding of the principles involved and a clear conclusion* **9–13** *L3 For a competent explanation but with limited development, max7, no conclusion* **7–8** *L2 For a general description of only some of the factors and no conclusion* **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
7	Explanation of meaning of efficient allocation and explanation of the analysis which ensures an efficient optimum may be reached. Distinction between productive and allocative efficiency. 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. Conclusion about efficacy of relying on market system. Max 21 with no conclusion. *L4 for a thorough explanation and a reasoned discussion dealing with both aspects of efficiency and possible reasons for government intervention. A conclusion should be drawn.* **18–25** *L3 for a competent explanation of the terms with accurate but limited discussion.* **14–17** *L2 for a correct but undeveloped explanation with some attempt at analysis but only brief discussion with 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**