Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **October/November 2018**

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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LEVELS OF RESPONSE MARKING DESCRIPTIONS

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	AO1	AO2	AO3	AO4
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
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

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Question	Answer	Marks
1(a)	Equity refers to fairness and is a normative concept **(1 mark)** Equality implies identical positions e.g. pay **(1 mark)**	**2**
1(b)	• Too much control/power to the wealthy. • Undermines fairness of political institutions. • Makes it difficult to create equality of opportunity for the less well off • Inequality is harmful to the poor because they suffer disproportionately. **2 × (1 mark for identifying an example from the text + 1 mark for explanation using own words)** Maximum 2 for statements only.	**4**
1(c)	• Both trends are generally upwards **(1 mark)** • The average wage earner has risen just over 30% **(1 mark)** • and has limited change since 2000 **(1 mark)** • Top 1% has risen 140% **(1 mark)** • From 2000 the top 1% has seen considerable fluctuations **(1 mark)** • Consideration of the limitations of the diagram **(up to 2 marks)** • Conclusion: The diagram does support the idea of rising inequality **(1 mark)** **Maximum 6 marks**	**6**
1(d)	• Fiscal policy definition **(1 mark)** • Discuss the effectiveness of: Regressive/Progressive taxes. (these terms need not be referred to directly) **(up to 4 marks)** • Discuss the effectiveness of: Transfer payments/Subsidies Direct provision of goods and services **(up to 4 marks)** • Conclusion **(1 mark)** **Maximum 8 marks**	**8**

Question	Answer	Marks
2	*Definitions and explanations of productive efficiency and allocative efficiency Price = MC. Use of perfect competition model to demonstrate market achievement of PE & AE. Discussion of circumstances in which economic efficiency is not attained e.g. imperfect competition, externalities, public goods, asymmetric information.* **L4 (18–25 marks):** For a thorough analysis of the two efficiencies and their application in perfect competition/monopoly, Analysis of either 2 forms of market failure in depth or more than 2 more briefly. There is a conclusion. Max 21 no conclusion. **L3 (14–17 marks):** For a good analysis of one efficiency or a limited analysis of both efficiencies and a good analysis of 1 form of market failure. or A good analysis of 2 efficiencies and limited analysis of 1 form of market failure. **L2 (10–13 marks):** For undeveloped explanation of both efficiencies or 1 undeveloped efficiency and 1 undeveloped market failure or 2 undeveloped market failures and limited reference to efficiency. **L1 (1–9 marks):** For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer contains irrelevancies and errors of theory.	**25**
3(a)	*Analysis of the role of marginal costs and marginal revenue in determining profit maximising output and how the price is determined on the downward sloping demand curve. Reference to the short term and the long term equilibrium positions.* **L4 (9–12 marks):** For an analysis of the role of marginal costs and marginal revenue in determining the profit maximising output and price. Short term (ST) and long term (LT) equilibrium positions are analysed. **L3 (7–8 marks):** For an analysis of the role of marginal costs and marginal revenue in determining the profit maximising output and price and analysis of either ST or LT equilibrium. **L2 (5–6 marks):** For a brief explanation concentrating on one aspect or limited reference to the equilibrium position **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**

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Question	Answer	Marks
3(b)	*An explanation of the sales revenue maximisation model (SRM). How SRM means that both price must be lower and quantity must be greater than in profit maximisation. Consumers gain through lower prices and greater output, managers gain if salaries linked to revenue not profits and shareholders lose as profits are reduced. Reference to the separation of ownership and control allowing SRM.* **L4 (9–13 marks):** For discussion of the SRM model which identifies the separation of ownership and control. Identifies the higher output and lower price of SRM compared with profit maximising model. Identifies who gains and who loses. There is a conclusion. Max 11 no conclusion. **L3 (7–8 marks):** Equilibrium output and price are identified which does not fully analyse the outcomes of the SRM model. **L2 (5–6 marks):** For a descriptive explanation. **L1 (1–4 marks):** 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.	**13**

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Question	Answer	Marks
4	*The use of supply and demand to explain the determination of wages. The demand for labour explained through the marginal revenue productivity theory. Consideration of elasticities of supply and demand on wage level. A discussion of the impact of minimum wage levels, government, the intervention of a Trade Union, and monopsonistic employers.* **L4 (18–25 marks):** For an analysis of the determination of wages showing differing level of supply and demand and a consideration of the impact of elasticity on wages. 2 examples non-market forces are analysed, such as government and trades union. An analysis of MRP. A conclusion is required. Max 21 no conclusion **L3 (14–17 marks):** For an analysis of the determination of wages showing differing level of supply and demand and a consideration of the impact of elasticity on wages, with 1 example of analysis of non-market forces **L2 (10–13 marks):** For an explanation based on only supply and demand, lacks consideration of non-market forces. **L1 (1–9 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**25**

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Question	Answer	Marks
5(a)	*Recognition of technological unemployment as a part of structural unemployment. Substitution of capital for labour leading to higher unemployment. New technology may reduce price of capital relative to labour. An increase in productivity leading to an increased demand for labour. New technology may lead to a fall in prices, higher aggregate demand increasing employment. The contribution of technological unemployment to total unemployment depends on the structural composition of an economy and the level of aggregate demand. Some reference to alternative forms of unemployment.* **L4 (9–12 marks):** For an explanation of technological unemployment and discuss 2 impacts of technological unemployment, comment on contribution of technological unemployment to total unemployment. **L3 (7–8 marks):** For an explanation of technological unemployment and discuss one impact of technological unemployment. Reference to one other form of unemployment. **L2 (5–6 marks):** For an explanation of technological unemployment. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
5(b)	*The role of real GDP per capita (pc) as a measure of living standards. Limitations of real GDP pc such as unemployment, distribution of income, education/health/cultural change/hours worked, do the statistics produced reflect economic activity. Use of PPP for international comparisons. Alternative measures of economic welfare: e.g. MEW, HDI, MPI.* **L4 (9–13 marks):** For analysis of the real GDP pc as a measure of living standards and 3 limitations, an explanation of 1 alternative measure of living standards. A conclusion is required. Max 11 if no conclusion. **L3 (7–8 marks):** For analysis of real GDP or GDP pc and 2 limitations of the measure. **L2 (5–6 marks):** For an explanation of GDP and 1 limitation. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**13**

Question	Answer	Marks
6(a)	*Identify the components of aggregate demand/supply affected by the two economic factors. Effect of increased demand for exports on aggregate demand. The effect of a labour shortage on costs of production and aggregate supply. Analysis of the effect on output and prices using aggregate demand and aggregate supply analysis.* **L4 (9–12 marks):** For an analysis of the two changes on AD and AS and their impact on price level (increases) and output might increase/decrease or remain unchanged (uncertain). **L3 (7–8 marks):** For an analysis of the two changes on AD and AS and their impact on either the price level **or** output. **L2 (5–6 marks):** For an explanation of the changes on AD and/or AS. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
6(b)	*Accept a response based on the stem of the question e.g. answers that discuss the effectiveness of monetary policy in causing the original shifts in the AD/AS.* ***or*** *Alternatively accept a response that discusses the effectiveness of monetary policy to address the changes resulting from the shifts that have taken place in 6a.* *Definitions of MNC and economic growth. Explanation and analysis of the role of monetary policy in changing AD/AS. The monetary transmission mechanism and its impact. A consideration of alternative policies. Explanation and analysis of the roles fiscal policy and supplied side policies could play in reducing the impact of the two factors.* **L4 (9–13 marks):** For an analysis of the role of monetary policy, the monetary transmission mechanism and its impact. Candidates should also discuss an alternative policy fiscal or supply-side. A comment on the limitations of the chosen policies. A conclusion is required Max 11 No conclusion **L3 (7–8 marks):** For an analysis of the role of monetary policy. A brief reference to fiscal policy or supply-side policies. **L2 (5–6 marks):** For an explanation of monetary policy or a descriptive approach to monetary policy and 1 more policy. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**13**

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Question	Answer	Marks
7(a)	*A consideration of a number of different factors: GDP, GDP per capita, the likely age structure, the structure of the economy, access to capital, the type and quantity of investment, the ability of the labour force, the state of the balance of payments.* **L4 (9–12 marks):** For an analysis which shows how a factor differs depending on the different stages of development. 3 different factors considered. **L3 (7–8 marks):** For an analysis of the 2 different factors. **L2 (5–6 marks):** For an explanation of 1 well-developed factor or 2 with limited development. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
7(b)	*The role of a multinational corporation (MNC) in bring investment to a country. The impact of investment as a component of AD. Multiplier effects of investment. Consideration of the size of the multiplier. Recognition that unemployment exists but labour skills may be inadequate. Impact on the other elements of AD, government, imports, exports and consumption.* **L4 (9–13 marks):** For an analysis of MNC Investment on the GDP of a developing country. Impact of 3 factors on economic growth with positive and negative comments. A conclusion is required. Max 11 if no conclusion **L3 (7–8 marks):** For an analysis of Investment on the GDP of a developing country. Impact of 2 factors on economic growth. **L2 (5–6 marks):** For an explanation of the effect of investment on GDP. Impact of 1 factor on economic growth **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**13**

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