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 2019**

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.

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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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ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

LEVELS OF RESPONSE MARKING APPROACH

The essay questions in Section B are marked using Levels of Response. They carry a maximum mark of 25 each. Most of them are split into two parts, where part (a) is worth 12 marks and part (b) is worth 13 marks. However, some essays are set as a single question worth 25 marks.

Try not to 'bunch' marks, but use the whole mark range. Do not reserve (e.g.) high Level 4 marks ‘just in case’ something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, then it must be rewarded appropriately. 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 skills described in the assessment objectives and not purely on the ability to itemise further facts from the content of the syllabus. All of the essays test the four assessment objectives above.

LEVELS OF RESPONSE MARKING PROCESS

There are two steps that need to be taken in awarding the mark for the essay questions:

Step 1: Determine the level – start at the highest level and work down until you reach the level that best describes the answer. Use a ‘best-fit’ approach: which level does it most closely resemble overall, considering all of the assessment objectives on balance?

Step 2: Determine the mark within the level by considering the following:

- Consistently meets the criteria; clear evidence of the qualities of the level = at the top of the level
- Meets the level’s criteria but with some slight inconsistency or some parts of the criteria not addressed = at the middle or above the middle of the level (depending on number of marks available)
- Just enough achievement for this level on balance = either below the middle or at the middle of the level (depending on number of marks available)
- Answer is on the borderline of this level and the one below, i.e. it there is only limited evidence it meets the criteria for this level = at the bottom of level

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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	**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

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 two positive influences on Japan's economic growth.** • expansionary monetary policy • fiscal spending/public investment • investment/spending in corporate sector • private consumption/spending in household sector • Olympic-related spending • rise in exports • labour participation rate • employee incomes continued to improve **2 × 1 marks**	**2**
1(b)	**To what extent do Fig. 1.1 and Fig. 1.2 support Friedman's view that 'inflation is always and everywhere a monetary phenomenon'?** • **Up to 2 marks** for comment that SUPPORTS the view • **Up to 2 marks** for comment that CONTRADICTS the view Details are as follows: • During 2013–2014, inflation rose significantly from -–1% to nearly 4% before falling again to around 0% (**1 mark**); at the same time there were increases in the growth rate of money supply (**1 mark**). • However, there does not appear to be a close relationship (**1 mark**), as in some periods, M3 growth rose but prices fell, 2015–2016 (**1 mark**). • Conclusion (**1 mark**) – the evidence from the Figs. is mixed. **Max**. **1 mark** if answer quotes graph but draws no conclusions	**5**
1(c)	**Explain the likely impact of quantitative easing on the Japanese economy.** • Lower interest rates (**1 mark**) • This boosts investment or consumption (**1 mark**) • Increased AD (**1 mark**) • Should lead to increased output/employment (**1 mark**) • Could lead to depreciation of the currency (**1 mark**) • Could be inflationary (**1 mark**)	**6**
1(d)	**Discuss the possible effects on the Japanese economy of the changes in supply-side policy and international economic events described in the article.** • Identification of supply-side policy measures (**1 mark**) e.g. regulatory or institutional reforms. • Effects of supply-side policy changes (**up to 2 marks**) – effect on productivity and on AS/output. • Identification of international economic events (**1 mark**) e.g. depreciation of yen. • Effects of international economic events, (**up to 2 marks**) – effect on AD/demand. • Conclusion – increased employment/inflation/growth; balance of changes in AD and AS (**1 mark**)	**7**

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Question	Answer	Marks
2	'**Free markets make the most efficient use of resources and are the foundation of a successful economy.' To what extent do you agree with this?** *A definition of a free market and the concepts of productive and allocative efficiency. Discussion of reasons for market failure, Imperfect knowledge, inequality, friction within a market, externalities.* *Note: All types of efficiency together to be regarded as one type of market failure.* **L4 (18–25 marks):** For a thorough discussion which covers a good understanding of productive and allocative efficiency produced by markets. A good explanation of 2 forms of market failure which consider the impact on efficiency. A conclusion will be drawn that refers to a successful economy. (Max. 21 no conclusion). **L3 (14–17 marks):** For a competent discussion of productive and allocative efficiency produced by perfect markets. A limited explanation of 2 forms of market failure. **L2 (10–13 marks):** For an accurate though undeveloped explanation of efficiencies or market failures. **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**

Question	Answer	Marks
3(a)	**Explain what is meant by a normal good and comment on the link between total utility, marginal utility and a consumer's demand curve for that good.** *Definition of a normal good, explanation of total utility and links to total consumption. Derivation of falling marginal utility as consumption increases linked through equi-marginal consumption and price change of a product to the demand curve.* **L4 (9–12 marks):** For clear explanations of the three terms and reference to the demand for a good. Establishment of the equi-marginal rule $MU_x/P_x = MU_y/P_y$. The effect of a change in price of a good on the ratio and the need to adjust the quantity demanded and hence MU in order to return to equilibrium **must** be explicitly stated. **L3 (7–8 marks):** For clear explanations of two of the terms and reference to the demand for a good. Establishment of the equi-marginal rule $MU_x/P_x = MU_y/P_y$. **L2 (5–6 marks):** For a clear explanation of 2 of the terms and an attempt to link it to the demand curve. **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**
3(b)	**Discuss how a government's policies toward income and wealth distribution can affect a consumer's demand.** *A consideration of the impact of taxation, government transfer payments and/or other government policies on income and wealth and hence the budget line and demand. Consideration of the effect of taxation on wealth and the consumption effects of changes in wealth. Consideration of the difference in the income effect for normal and inferior goods.* **L4 (9–13 marks):** For a response that explains two policies and their impact on income and wealth linked to consumer demand for normal goods and inferior goods. (No conclusion maximum 11). **L3 (7–8 marks):** For a response which explains two policies and the effect on income or wealth. Either normal or inferior goods are considered. **L2 (5–6 marks):** For a response which explains one policy with limited reference to demand. **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
4(a)	**Explain how a firm maximises its profit in perfect competition.** *An explanation of the profit maximising rule based on MC = MR. Explanation of how when MC and MR are unequal a firm changes its level of output to increase profits.* **L4 (9–12 marks):** For a sound explanation of increasing output when MC is less than MR and reducing output when MC is greater than MR to bring equilibrium when MC = MR. **L3 (7–8 marks):** For an explanation of equilibrium increasing output when MC is less than MR or reducing output when MC is greater than MR to bring equilibrium when MC = MR. **L2 (5–6 marks):** For an explanation of equilibrium when MC = MR. **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**
4(b)	**Discuss whether profit maximisation is the best strategy in the long run for firms in different market structures.** *A comparison of long-run profit and the difference that exists between the different forms of competition. Idea of contestable markets may mean that profit maximisation cannot be achieved due to hit-and-run competition, or there may be other objectives. Different strategies can be identified in relation to different market structures, e.g. in perfect competition and monopolistic competition long-run profit maximisation would apply, whereas in oligopoly and monopoly other strategies may be appropriate, e.g. sales revenue maximisation.* **L4 (9–13 marks):** For a sound discussion of two market structures and two strategies. (Max. 11 if no conclusion). **L3 (7–8 marks):** For an analysis of either two market structures and one strategy or one market structure and two strategies. **L2 (5–6 marks):** For a limited comparison of a strategy between two forms of competition. **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
5(a)	**Explain the relevance of economic rent and transfer earnings when comparing the wages of skilled workers and unskilled workers.** *Definitions of economic rent and transfer earnings. Supply and demand factors in determining wage levels. The relevance of elasticity of demand and supply in the labour market. Application to skilled and unskilled workers.* **L4 (9–12 marks):** For an explanation of the meaning of economic rent and transfer earnings and how these may differ between markets. Factors affecting the demand for labour and the supply of labour and their effect on the wages of skilled and unskilled workers. The relevance of elasticity of demand for and supply of labour. **L3 (7–8 marks):** For an explanation of the meaning of economic rent and transfer earnings and how these may differ between markets. Factors affecting the demand for labour and the supply of labour **or** elasticities of supply and demand for labour and their effect on the wages of skilled and unskilled workers. **L2 (5–6 marks):** For an explanation of the meaning of economic rent and transfer earnings and how these may differ between markets. **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)	**Discuss whether workers always benefit when their trade union achieves an increase in wages.** *Discussion and analysis of wage theory in imperfectly competitive labour market. Trade unions influence on wage rates; the negotiation of a higher wage. Examples could include minimum wage, higher labour productivity (higher MRP) and monopsony.* **L4 (9–13 marks):** For a discussion of two ways in which trade unions may increase wages and of the extent to which each of these benefits the workers. (Max. 11 if no conclusion) **L3 (7–8 marks):** For a discussion of one way in which trade unions may increase wages and of the extent to which this benefits the workers. **L2 (5–6 marks):** For a discussion of one way in which trade unions may increase wages. **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. **Alternatively**, candidates may discuss a range of economic factors which reduce the benefits of an increase in wages e.g. higher taxation, inflation, working conditions. **L4 (9–13 marks):** For a discussion of 3 well explained economic factors. (Max. 11 if no conclusion). **L3 (7–8 marks):** For a discussion of 2 well explained factors or 3 less well explained factors.	**13**

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Question	Answer	Marks
5(b)	**L2 (5–6 marks):** For a discussion of 1 well explained factor or 2 less well explained factors. **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.	

Question	Answer	Marks
6	**Evaluate how the relative size of injections into and leakages from the circular flow of income can affect the ability of a government to achieve its macroeconomic aims.** *Identification of types of injections (J): investment, government spending and exports and withdrawals (W): saving, taxation and imports. Identification of macroeconomic aims. The impact of W and J on output, income and employment in relation to the circular flow of income. Explanation of potential conflicts between aims: inflation/balance of payments/growth/unemployment and effect on them if W>J or W<J.* **L4 (18–25 marks):** For clear definitions of injections and withdrawals and their size and impact on the circular flow of income, the government's macroeconomic objectives and possible compatibility/conflicts of aims. An evaluation of an imbalance in W/J on 3 macroeconomic objectives. (Max. of 21 if no conclusion). **L3 (14 –17 marks):** For clear definitions of injections and withdrawals and the government's macroeconomic objectives, impact on the circular flow of income, reference to compatibility/conflict of aims, explanation of an imbalance in W/J on 2 macroeconomic objectives. **L2 (10–13 marks):** For a limited description of W/J and 1 macroeconomic objective. **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**

Question	Answer	Marks
7	**Discuss whether countries at different stages of development should use different methods of measuring living standards.** *Conventional measures of economic well-being e.g. real GDP per head. The advantages and disadvantages of this measure when applied to different economies. The use of alternative measures when applied to different economies e.g. Multidimensional Poverty Index (MPI), (Human Development Index) HDI and MEW.* **L4 (18–25 marks):** For a discussion of the advantages and disadvantages of two methods of measuring living standards in developed and developing economies. A conclusion will be drawn. (Max. 21 if no conclusion). **L3 (14–17 marks):** For a discussion of the advantages and disadvantages of one method of measuring living standards with some reference to developed or developing economies. **L2 (10–13 marks):** For an accurate though undeveloped explanation of one method and some limitations. **L1 (1–9 marks):** For an answer that 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**

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