Cambridge International AS & A Level

**Cambridge Assessment International Education**
Cambridge International Advanced Subsidiary and Advanced Level

**ECONOMICS** **9708/43**

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.

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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 | **AO1** | **AO2** | **AO3** | **AO4** |
|---|---|---|---|---|
| L4 | detailed knowledge of relevant facts and theory<br><br>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<br><br>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<br><br>draws clear, reasoned conclusions<br><br>a sound, well-structured answer | critical evaluation of the issues, considering relevant information and economic principles<br><br>distinguishes between facts, hypotheses and/or value judgements<br><br>challenges assumptions of the question or model |
| L3 | adequate knowledge of relevant facts and theory<br><br>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<br><br>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<br><br>draws some conclusions<br><br>a functionally organised answer | partly complete evaluation of the issues in terms of either relevant information or economic principles<br><br>attempt to distinguish between facts, hypotheses and/or value judgements<br><br>attempt to comment on assumptions |
| L2 | identifies some relevant facts and/or theory<br><br>the answer overall has a general relevance to the question, showing some understanding | illustration may not be fully relevant and is superficial or overgeneralised<br><br>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<br><br>conclusions may not be drawn from it<br><br>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 | **AO1** | **AO2** | **AO3** | **AO4** |
|---|---|---|---|---|
| L1 | shows some relevant knowledge<br><br>the answer indicates that the question has not been correctly understood | barely relevant, minimal or tangential illustration<br><br>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 article says that an increase in saving would increase production. Would an economist necessarily agree with this statement?**<br><br>• Increased saving might mean less consumption which would reduce demand, not necessarily increase production.<br>• However, savings might enable banks to lend money for investment which will increase production.<br><br>Up to 3 marks per side; max 5. | **5** |
| 1(b) | **Explain what is meant by market failure and consider whether there are examples of market failure in the article.**<br><br>Explanation of market failure (**up to 3 marks**).<br>Examples are monopoly over gene diagnosis, education, and carbon emissions (up to 2). | **5** |
| 1(c) | **Suggest why the article says that the lessons of the prisoners' dilemma might be relevant.**<br><br>Explanation of the dilemma:<br>• Need to rely on others for co-operation. The outcome depends on what others might do and this is uncertain – hence suggestion for intervention to adjust incentives/disincentives (**up to 3 marks**).<br><br>Article says 'might' be relevant. Might do better if ignore the co-operative solution but might do far worse also (**1 mark**). | **4** |
| 1(d) | **Discuss, with the help of the information, whether the article is correct in asserting that the 'average person lives better than they did fifty years ago'.**<br><br>• the information is not per capita,<br>• does not mention relative income distribution,<br>• no information about inflation,<br>• there is an increase in GDP, examples from table, but this is not necessarily same as increase in standard of living,<br>• there have been improvements in technology, but this is not evenly distributed,<br>• conclusion: evidence is questionable. | **6** |

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| Question | Answer | Marks |
|---|---|---|
| 2(a) | **Explain the meaning of and whether there is a link**<br>**(i) between Pareto optimality and equality;**<br>**(ii) between free markets and equity.**<br><br>*Meaning of Pareto optimality and equality (4), no link. Pareto optimality doesn't necessarily produce equality (2); meaning of free markets and equity (4) free markets sometimes result in outcomes that are thought not to be fair (equitable) (2).*<br><br>**L4 (9–12 marks):** For a sound explanation of all four concepts and conclusion about the two links.<br><br>**L3 (7–8 marks):** For weaker explanation of four concepts or sound explanation of three concepts and conclusion about at least one of the links.<br><br>**L2 (5–6 marks):** For a sound explanation of two of the concepts but little comment about the link.<br><br>**L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **12** |
| 2(b) | **Consider the methods a government can use to increase efficiency in resource allocation.**<br><br>*Explanation that there may be a lack of efficiency due to overproduction or under production. Discussion of the methods: taxes, subsidies, licences, regulation, information, permits, 'nudge' incentives, granting property rights, privatisation, nationalisation and the relevance of the choice to either over or under production.*<br><br>**L4 (9–13 marks):** For a critical discussion of at least three methods and their effectiveness and application. (Taxes and the opposite subsidies should count as one alternative).<br><br>**L3 (7–8 marks):** For a critical competent discussion of at least two methods or a weaker comment on at least four methods.<br><br>**L2 (5–6 marks):** For a competent comment on one method or a comment on three or more methods.<br><br>**L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **13** |

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| Question | Answer | Marks |
|---|---|---|
| 3(a) | **Critically discuss the explanation in economic theory of how a rational consumer exercises choice and how it links to a demand curve.**<br><br>*Explanation of diminishing marginal utility or indifference curves and the link to equilibrium price and, through changes in price, to the demand curve; critical comment on the difficulty of calculating marginal utility and its application.*<br><br>**L4 (9–12 marks):** For a sound explanation of the analysis and a clear understanding; explanation of link to demand; with a comment on the possibility of calculating marginal utility.<br><br>**L3 (7–8 marks):** For a competent comment but with limited development of the analysis – may be no clear link to demand – and a very brief critical comment.<br><br>**L2 (5–6 marks):** For a brief explanation and with no clear link between equilibrium and demand and no critical comment.<br><br>**L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **12** |
| 3(b) | **Analyse how a consumer's equilibrium might change if the government increased a sales tax (goods and services tax) on a normal good, an inferior good and a Giffen good.**<br><br>*Explanation of changes in consumer equilibrium using indifference analysis to distinguish between the types of good. Indirect tax will increase the price and the answer really needs to consider the distinction between income and substitution effects.*<br><br>**L4 (9–13 marks):** For a clear analytical discussion of effect of an indirect tax increase is to increase price; income and substitution effect move in same direction for normal good, in opposite directions for inferior good but a price rise would still result in a fall in demand; they move in opposite direction for a Giffen good but a rise in price will lead to a rise in demand.<br><br>**L3 (7–8 marks):** For an understanding of a rise in tax causing a rise in price but a clear analysis/discussion of the effect on only two of the goods.<br><br>**L2 (5–6 marks):** For a weaker understanding of the effect of the tax change and a poor analysis of the income and substitution effects, maybe just concentrating on the utility explanation or elasticity.<br><br>**L1 (1–4 marks):** 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. | **13** |

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| Question | Answer | Marks |
|---|---|---|
| 4(a) | **Contrast the features of a perfect competitive market with those of an oligopoly and compare the aims of the firms in each of these market structures.**<br><br>*Explanation in terms of criteria for perfect competition and the similarities/differences that occur in oligopoly; size and number of firms. Candidates should also consider the likely aims of the two structures – profits, output, and price changes.*<br><br>**L4 (9–12 marks):** For an explanation/comment of both market structures – criteria, aims, likely profits with a clear structure.<br><br>**L3 (7–8 marks):** For a competent explanation/comment that does not fully analyse both types of market structure. There will be some comment, but the analysis will not be fully developed or extensive.<br><br>**L2 (5–6 marks):** For an accurate though undeveloped explanation/comment concentrating possibly on either the criteria or the aims probably presented as two separate parts of the answer with no direct distinction drawn.<br><br>**L1 (1–4 marks):** 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. | **12** |
| 4(b)<br>. | **Discuss what you would expect to happen to the output of the industry and the level of profit if perfect competition were replaced by a monopoly.**<br><br>*Discussion and comment on the determination of price and output, market price takers or price makers, levels of output, levels of profit in short run and long run. Supernormal profits might occur in perfect competition in the short run but not in the long run; supernormal profits might occur in the long run in monopoly. Actual price may be higher in monopoly, but economies of scale may enable a lower price in monopoly.*<br><br>**L4 (9–13 marks):** For a sound discussion with good explanation of the analysis and a clear understanding of the differences between perfect competition and monopoly.<br><br>**L3 (7–8 marks):** For a competent comment but with limited development of the analysis or a concentration on either perfect competition or monopoly.<br><br>**L2 (5–6 marks):** For a brief explanation of both market structures and with a weak discussion of the distinction between the two types of market.<br><br>**L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **13** |

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| Question | Answer | Marks |
|---|---|---|
| 5 | **Analyse and discuss whether the economic theory of wages can explain why there are inequalities in wage rates in a country.**<br><br>*Discussion of determinants of wages. Candidates should explain the theoretical analysis and discuss the reason for higher wages and inequality in wage rates. These inequalities could occur not only in different occupations but within the same occupation.*<br><br>*The discussion should include reference to how the theoretical analysis accommodates the market forces of supply and demand but can be moderated by the influence of trade unions and government policy with possible influences on inequalities in wage rates.*<br><br>**L4 (18–25 marks):** For a thorough analysis of theoretical wage determination with a clear discussion of the role of trade unions and their likely significance over other factors.<br><br>**L3 (14–17 marks):** For a competent explanation but with limited discussion of trade unions and their significance.<br><br>**L2 (10–13 marks):** For a correct but undeveloped theoretical analysis with very bald comment about the role of trade unions.<br><br>**L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **25** |

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| Question | Answer | Marks |
|---|---|---|
| 6(a) | **Explain the speculative motive for the demand for money and consider its significance in relation to monetary policy.**<br><br>*The speculative demand for money is determined by an individual's view of what will happen to future rates of return on long-term government securities. There is an inverse relationship between the price of bonds and the rate of return on these bonds. Investors will hold cash if they think interest rates are likely to rise in the future and hold bonds if they think interest rates will fall in the future. At very low rates of interest the speculative demand for money might become perfectly elastic. This creates a liquidity trap and makes it very difficult for monetary policy to have a significant impact on real variables.*<br><br>**L4 (9–12 marks):** For an answer that attempts to evaluate the significance of the speculative demand for money by drawing a diagram, identifying the liquidity trap and then linking this to monetary policy. A conclusion might consider the extent of this significance and why it might vary depending upon the state of the economy. For example, the speculative demand for money is likely to be more significant in a time of recession.<br><br>**L3 (7–8 marks):** For an answer that provides a clear analysis of the relationship between expectations of changes in the future rate of interest and the speculative demand for money. A diagram might be provided which helps to analyse this relationship.<br><br>**L2 (5–6 marks):** For a limited explanation of the speculative demand for money but does not explain clearly why interest rates will affect the speculative demand for money.<br><br>**L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **12** |

| Question | Answer | Marks |
|---|---|---|
| 6(b) | **Discuss the view that monetary policy can be used effectively to control demand-pull inflation but not to control cost-push inflation.**<br><br>*Monetary policy might use changes in the money supply, changes in interest rates and changes in exchange rates. Changes in all three of these variables might have an impact on demand-pull inflation. For example, a decrease in interest rates might stimulate consumption spending or cause a fall in exchange rates which should increase aggregate monetary demand.*<br><br>*Alternatively, a fall in exchange rates would increase the price of imported raw materials which could cause cost-push inflation. Diagrams could be used to illustrate these effects.*<br><br>**L4 (9–13 marks):** For an answer which attempts to address the view contained in the question. Responses should focus upon evaluating the extent of monetary policy on demand-pull inflation and whether/why monetary policy can cause cost-push inflation. A conclusion should be provided which makes a judgement regarding the view under consideration and this should be based on preceding evidence.<br><br>**L3 (7–8 marks):** For an answer which analyses the effects of different monetary policy options which have different impacts on aggregate demand and costs, and why these changes can cause inflation. Supporting diagrams might be used to illustrate these effects.<br><br>**L2 (5–6 marks):** For an answer which identifies different types of monetary policy and which describes some of the causes of demand-pull and cost-push inflation.<br><br>**L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory. | **13** |

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| Question | Answer | Marks |
|---|---|---|
| 7 | **'There have been many attempts to measure changes in living standards both within and between countries. Although some have been more useful than others, none of these alternative measures has produced a sufficiently accurate, reliable indicator of changes in living standards.' How far would you agree with this statement?**<br><br>*Responses should explain different attempts to measure living standards and the key elements of each indicator. GDP per capita, Human Development Index(HDI), Measure of Economic Welfare(MEW), Multi-dimensional Poverty Index might be considered and, in each case, the extent to which they might represent a reliable indicator of changes in living standards.*<br><br>**L4 (18–25 marks):** For an answer which provides a detailed analysis of two measures but also considers additional measures. The emphasis will be upon highlighting factors which affect living standards but are not addressed by any measure. A conclusion should then allow a judgement as to how far the candidate would agree with the statement under consideration.<br><br>**L3 (14–17 marks):** For an answer which identifies at least two alternative measures and analyses why they have been used to measure changes in living standards. Some comparative analysis should be used and there should be some indication of an attempt to discuss why neither measure would be completely accurate nor reliable.<br><br>**L2 (10–13 marks):** For an answer which is limited to a description of some measures, but which does not attempt to discuss their accuracy.<br><br>**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 is mostly irrelevant. | **25** |

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