Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **October/November 2021**

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 2021 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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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- **a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- **b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- **c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
- **d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- **e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- **f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- **g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Question	Answer	Marks
1(a)	**Using the information, explain the predicted effect of the development of super-airlines on the concentration ratio in the European airline market.** • The number of airlines will decrease (1) • Market share/the concentration ratio will increase/change in control of top 5 airlines 50 % to 77 % (1) • The market will become more oligopolistic (1) 2 marks maximum	**2**
1(b)	**'Large airlines benefit from economies of scale'** **With the use of an example and a diagram, explain how a large airline can benefit from economies of scale.** • Explanation of economies of scale (1) Example: e.g. technical (1) leading to falling LRAC (1) • Diagram the LRAC of the remaining airlines Axes $/Cost and Quantity (1) Labelled LRAC/LRATC (1)	**5**
1(c)	**Explain what is meant by a contestable market and discuss how making the airline market more contestable could benefit passengers.** • Definition of a contestable market (1): the threat of competition on existing firms (1), reference to low barriers to entry (1) • Benefit to passengers: prices, quantity or quality of service 2 examples × 2 marks	**6**
1(d)	**Identify the market structure for airlines in Europe in 2019 following the development of the super-airlines and discuss how airlines may compete in this market structure.** • Oligopoly (1) • Discussion of 3 forms of oligopolistic competitive behaviour, price cutting, product innovation, advertising and marketing, level of service (product innovation) 3 × 2 marks.	**7**

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Question	Answer	Marks
2	**Discuss whether market failure can be successfully eliminated by governments.** *Market failure can be caused by lack of imperfect competition with productive or allocative efficiency failure, imperfect information, externalities (positive or negative), missing markets/public goods. Reference to allocative and productive efficiency.* *Methods of reducing market failure: indirect taxation or subsidies, direct provision or legislation.* *Problems of government intervention. Lack of information, speed of response.* **L4 (18–25 marks):** The analysis of three methods of reducing market failure and a comment on a government's success in eliminating market failure. A conclusion is reached for 22–25 marks. **L3 (14–17 marks):** For an answer that analyses two methods of reducing market failure. **L2 (10–13 marks):** For an explanation that analyses one method of reducing market failure or describes two methods of reducing market failure. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**25**

Question	Answer	Marks
3(a)	**Use marginal utility analysis to explain the derivation of the individual demand curve for good** *Marginal utility analysis:* *Explanation of total utility(TU) and marginal utility (MU) and falling MU.* *Link to ratio of MU_x to P_x .* *Principle of equi-marginal equality explained. $MU_x/P_x = MU_y/P_y$* *Development of the effect of a change in P_x on MU_x and thus demand by an individual. Conversion to an individual's demand curve and then a market demand curve.* **L4 (9–12 marks):** For an answer that gives a sound explanation of the change in equilibrium when the price of one good changes in relation to the price of another good. The equi-marginal principle is used to analyse this effect. Extension of individual demand to market demand curve. Max 9 For individual demand curve with no reference to the market. **L3 (7–8 marks):** For an answer that develops the analysis to the equi-marginal principle in relation to two goods and then attempts to determine an individual demand curve. **L2 (5–6 marks):** For an answer that explains total and marginal utility and its link to the purchase of one good. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
3(b)	**Use indifference curve analysis to discuss whether the demand curve for a good will always slope downwards.** *Indifference curves, budget lines defined, the effect of shifts in the price and the budget line. Split of change in quantity demanded into income effect (IE) and substitution effect (SE). Impact of the size and sign of such changes on the slope of demand curve.* **L4 (9–13 marks):** For an answer that discusses the influences of the size and the sign of the IE and SE on the effect on demand of a change in the price of a good and recognises this may produce an upwards sloping demand curve. A conclusion is reached for 12/13 marks. **L3 (7–8 marks):** For an answer that analyses the effect of a change of price on the demand for a good and includes reference to IE/SE. **L2 (5–6 marks):** For an answer that describes budget lines and indifference curves and identifies the equilibrium position. **L1 (1–4 marks):** For an answer that 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 the link between diminishing marginal returns and the shape of a firm's short-run marginal cost curve and short-run total average total cost curve.** *Explanation of diminishing returns in terms of one fixed factor plus increasing quantities of a variable factor on marginal physical product. The effect of the change in marginal physical product on the short-run marginal cost curve. The changes in the short run marginal costs (MC) determine the shape of the short-run average total cost curve (ATC).* **L4 (9–12 marks):** For an answer that gives a clear explanation of diminishing marginal returns and explains the links to the MC. The link between the short run marginal cost curve and the ATC is determined. **L3 (7–8 marks):** For an answer that gives a clear explanation of diminishing marginal returns and links it to the MC. **L2 (5–6 marks):** For an answer that gives a clear explanation of either diminishing marginal returns or MC and ATC. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
4(b)	**Discuss whether consumers or producers benefit more from the practice of price discrimination.** *Definitions of price discrimination (PD). Explanation of PD. Discussion of the impact of PD on both the consumer and the producer.* **L4 (9–13 marks):** For an answer that explains fully when price discrimination can occur and discusses the impact on **both** the consumer and producer. A conclusion is reached for 12–13 marks. **L3 (7–8 marks):** For an answer that gives a limited explanation of when price discrimination can occur with a limited analysis of its impact. **L2 (5–6 marks):** For an answer that explains price discrimination. **L1 (1–4 marks):** For an answer that 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	**Discuss the extent to that gross domestic product (GDP) is a useful measure of living standards and economic development.** *Definition of GDP explanation of real GDP per head and its link to measuring the standard of living (SoL). Explanation of economic development (ED). A comment on the relationship between SoL and ED. Problems of measuring GDP in general and especially in developing countries.* *Relevance of GDP as a measure. Relevance of alternative measures of SoL HDI, MEW HPI or MPI.* **L4 (18–25 marks):** For an answer that defines living standards in terms of real GDP per head and develops an argument that links it to ED. The link between GDP and SOL and ED is explicitly discussed. Detailed discussions regarding to the limitations of measuring GDP. A candidate may refer to one or more alternative measures of measuring GDP. A conclusion is reached for 22–25 marks. **L3 (14–17 marks):** For an answer that defines SoL in terms of real GDP per head. Some reference is made to the limitations of measuring GDP or one alternative measure of GDP. **L2 (10–13 marks):** For an answer that defines living standards in terms of real GDP per head of population. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**25**

Question	Answer	Marks
6(a)	**Explain the difference between the frictional unemployment and real wage (classical) unemployment.** *Definition of frictional unemployment and explanation of how it is temporary as workers leave their job or are dismissed and are searching for another job. Real wage unemployment due to the exercise of trade union power/minimum wage legislation to raise the wage rate above the equilibrium wage.* **L4 (9–12 marks):** For an answer that explains both forms of unemployment and the difference is made clear. **L3 (7–8 marks):** For an answer that explains one form of unemployment and the other form is described. **L2 (5–6 marks):** For an answer that explains one form of unemployment is or both forms of unemployment are described. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
6(b)	**Evaluate the policies available to a government to reduce the level of structural unemployment.** *Definition of structural unemployment. Supply side policies: education and training, reduced corporation tax allowing more growth and employment, increased minimum wage acts as an incentive to work, subsidies for housing costs, reduction of trade union power.* *Aspects of fiscal policy relevant to structural unemployment can be accepted e.g. tariffs.* **L4 (9–13 marks):** For an answer that evaluates three policies available to a government to reduce structural unemployment. **L3 (7–8 marks):** For an answer that explains two policies to reduce structural unemployment and a limited attempt to evaluate is made **L2 (5–6 marks):** For an answer that explains one policy to reduce structural unemployment. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**13**

Question	Answer	Marks
7(a)	**Explain the quantity theory of money and consider its relevance for a country's macroeconomic policy.** *Definition of the 4 terms PTM and V in the QTM. Explanation of the interaction of the terms of PT=MV and the implications of changes in money supply M on price level P. The relevance for macroeconomic policy is considered e.g. a reduction in the rate of inflation.* **L4 (9–12 marks):** For an answer that defines the terms of and explains the meaning of QTM clearly and understands it as a theory of prices/inflation. The assumptions of the theory are identified. Its relevance to macroeconomic policy. **L3 (7–8 marks):** For an answer that defines the terms of and explains the meaning of QTM clearly and understands it as a theory of prices/inflation **or** the assumptions of the theory are identified. **L2 (5–6 marks):** For an answer that describes the meaning of the terms in the QTM clearly and makes an attempt to link the theory to inflation. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
7(b)	**Discuss whether fiscal policy alone can promote a more equal distribution of income.** *Definition and explanation of a more equal distribution of income. Definition of fiscal policy. Explanation of effects of taxation in terms of reducing income of the rich and the effect of government spending on the poor. Discussion of redistributive effects on rich and poor of fiscal changes.* **L4 (9–13 marks):** For an answer that provides an explanation of the meaning of a more equal distribution of income. A clear discussion of three policies that may promote a more equal distribution of income. A conclusion is reached for 12/13 marks. **L3 (7–8 marks):** For an answer that provides an explanation of the meaning of a more equal income distribution. A clear analysis of two policies that may promote a more equal income distribution. **L2 (5–6 marks):** For an answer that makes a statement of the meaning of a more equal income distribution and a description a policy that may promote a more equal distribution of income. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **Note:** Answers be rewarded at the appropriate level if candidates refer to relevant monetary and supply side policies that promote a more equal distribution of income.	**13**

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