Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

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.

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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.

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)	**Use a marginal revenue product diagram to illustrate what will happen to wages as a result of the changes mentioned by the critic of the free movement of labour (in the second paragraph).** In imperfect competition MRP (1) diagram showing supply curve moving down to right (1) and equilibrium wage falling (1). If perfect competition is used, supply should be linked to industry supply causing firm's supply to move down.	**3**
1(b)	**What do the high numbers of workers migrating from Eastern Europe to other countries in the EU suggest about the state of their own economies compared with the country to which they migrate?** Lower wages for the same skills; higher unemployment / fewer job opportunities; weaker infrastructure and welfare systems; lower living standards.	**4**
1(c)	**Explain whether the introduction of a minimum wage will always result in a different outcome for employment from that which would occur in a free market**. Minimum wage might increase unemployment if it is higher than the wage based on supply and demand for labour. If it is lower than the market wage there will be no effect on employment. In imperfect competition (monopsony) the result will vary depending on extent of the increase, could have a rise in wage and employment, or a rise in wage but a decrease in employment.	**5**
1(d)	**With the help of information in the article assess whether the increasing numbers of migrant workers are an advantage or a disadvantage to the receiving country.** Positive effects • skills of migrant workers can complement those domestic workers and increase productivity and therefore increase economic growth • earnings of migrant workers can create jobs – multiplier effect – increase in AD • without migrant workers the level of AS could not meet AD causing inflation • migrants fill jobs where there are labour shortages • research shows migrant workers make a positive contribution to the taxes which is higher than payments for welfare and public services spent on migrants. Negative effects • EU workers have taken to jobs of domestic workers increasing unemployment • Increased competition for jobs drives down wages with a loss of government tax revenues • EU workers willing to accept lower wages, causing industrial unrest. Come to some overall conclusion = 1 mark	**8**

Question	Answer	Marks
2	**Analyse the reasons why it might be thought necessary for a government to control dominant firms in an industry and consider the methods it might use to achieve such control.** *Explanation that there may be a lack of efficiency due to overproduction or under production. There could be higher prices, lower output, higher profits. 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.* **L4 (18–25 marks):** for an analysis of the first part of the question and a critical discussion of at least three methods of control and their effectiveness and application. (Taxes and the opposite subsidies should count as one alternative). **L3 (14–17 marks):** for a critical competent discussion of at least two methods or a weaker comment on at least three methods. **L2 (10–13 marks):** for a competent comment on one method or a briefer comment on two methods. **L1 (1–9 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**25**

Question	Answer	Marks
3(a)	**Explain the theory of how a consumer decides to achieve the situation described as 'equilibrium' when purchasing two different products.** *Marginal utility is significant in relating the utility/satisfaction to the price in determining equilibrium quantity bought. Candidates can use either MU theory or marginal changes on indifference curves related to budget lines. If MU is used, they must relate it to two products.* **L4 (9–12 marks):** for a clear explanation and a sound comment on the relation between the price and the satisfaction obtained, referring to more than one good. **L3 (7–8 marks):** for a less developed answer but which still refers to the equilibrium but probably concentrates on only one good with MU or is unclear about the relevance of the tangency with indifference curves. **L2 (5–6 marks):** for a brief attempt which does not clearly bring out the significance of the marginal analysis. **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
3(b)	**Two shops sell clothes. One has luxury fashionable designs. The other has cheaper inferior alternatives. Both shops decided to have promotional sales with price reductions.** **Consider how indifference curve analysis could be used to explain a consumer's reaction to both the price reductions.** *Analysis and comment on income and substitution effects using indifference curves of a price change for a luxury good and an inferior good.* **L4 (9–13 marks):** for an understanding of the meaning of the two concepts and a correct analysis of the direction of change for both concepts for both types of good. **L3 (7–8 marks):** for a less accurate understanding – probably evidenced by a weak analysis of the income effect on inferior goods, or a confusion with a Giffen good. **L2 (5–6 marks):** for an unclear answer which distinguishes between the effects but gets the direction of change incorrect; or one that concentrates on one type of good. **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

Question	Answer	Marks
4(a)	**Explain the difference between, and the purpose of, integration between firms and a cartel.** *Explanation of integration – vertical and horizontal; increase size of firm, ensure supply of inputs; control sales outlets or get better access to customers; cartel – to achieve higher profits, control the market, fix quotas, work as a group.* **L4 (9–12 marks):** for a clear understanding of both integration and cartels with a good comment on the purpose of both. **L3 (7–8 marks):** for a weaker understanding of both concepts or a concentration on and good understanding of one of the concepts or a weaker explanation of the purpose. **L2 (5–6 marks):** for an undeveloped comment on one of the concepts. **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

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Question	Answer	Marks
4(b)	**'In large firms the long-run average cost falls as output increases and consumers benefit from lower prices. In small firms it does not. There is, therefore, no place in a modern economy for small firms.'** **Do you agree with these statements?** *Consideration of whether costs necessarily fall, whether consumers necessarily benefit if they do, whether there is no place for small firms, and a conclusion about the statement.* **L4 (9–13 marks):** for clear analysis and discussion of all parts of the question including the purpose and reasons for small firms and a conclusion. **L3 (7–8 marks):** for an answer that concentrates on two of the parts of the statement but still with a reasoned structure, or comments on all three parts but with little analysis. **L2 (5–6 marks):** for a more limited answer probably giving a longer comment on economies of scale and falling costs without considering the rest of the statement in any detail. **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

Question	Answer	Marks
5(a)	**Explain the role of liquidity preference in the determination of interest rates and assess its importance.** *Liquidity preference should be explained as that part of an individual's assets which are held in cash rather than government securities or other assets. Key determinants such as the level of income and interest rates should be referred to. Answers should recognise that liquidity preference determines the demand for money and that it is the interaction of the market forces of supply of and demand for money which will determine interest rates.* **L4 (9–12 marks):** for an answer that questions some of the assumptions which underlie liquidity preference theory. Also, some attempt might be made to discuss alternative approaches to interest rate determination which question the role of liquidity preference as a key determinant. **L3 (7–8 marks):** for an answer that demonstrates an understanding that liquidity preference represents the demand for money and when this is combined with the supply of money, we can show how market forces determine interest rates. A supporting diagram might be provided. **L2 (5–6 marks):** for an answer that is limited to explaining what is meant by liquidity preference and which describes some factors which might influence liquidity preference **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
5(b)	**Keynes argued that the rate of interest will not ensure that the level of savings will equal the level of investment in an economy because savings and investment are undertaken by different individuals for different reasons.** **Explain this statement and discuss how far you would support this view.** *Responses should explain the traditional theory of the relationship between interest rates and savings/ investment. If there was a surplus/deficit in relation to savings and investment, it was assumed that interest rate adjustment would ensure that these two would return to equilibrium. Keynes argued that savings were more likely to be determined by the level of individual's income and investment was more likely to be determined by investor confidence. Hence, there was no reason to support the view that interest rates will return to equilibrium based on changes in interest rates.* **L4 (9–13 marks):** for responses that makes an attempt to assess how far they would support this Keynesian position. This would require a discussion relating to the importance of income changes on the level of savings and investor expectations of future profits on the level of investment. A conclusion which comments upon how far the candidate agrees with statement should be provided. **L3 (7–8 marks):** for a response that analyse why interest rate changes will impact upon savings and investment and why this will ensure a return to equilibrium via market forces. Some attempt should be made to explain why Keynes argued that other factors were more important determinants of savings/investment. **L2 (5–6 marks):** for an understanding of the traditional explanation of the relationship between interest rates and savings/investment. **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
6(a)	**Explain how governments measure economic growth and discuss why this measurement is important.** *Economic growth should be defined as the change in real GDP in a specific time period. Measurement would require a monetary measure of the value of GDP using either income, expenditure, or output method. Importance relates to the relationship between changes in measured real GDP, changes in wealth and subsequent changes in living standards. Also, this measurement allows some assessment of the performance of those responsible for managing the economy and for those attempting to compare national economic performance with main international competitors* **L4 (9–12 marks):** for an answer that attempts to explain how a government measures economic growth and then discusses why this measurement is important. In particular, would expect comments on impact on living standards. Also, issues relating to the need to assess the performance of government's managing of an economy might be discussed, as well as how this might be used to influence future government macroeconomic policy. **L3 (7–8 marks):** for an answer that refers to measurement and makes some attempt to analyse why this measure is important. **L2 (5–6 marks):** for an answer that provides a brief account of what constitutes economic growth and a description of each of the alternative ways of measuring economic growth. **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)	**'Economic growth will always decrease the level of unemployment but this will usually create significant problems in relation to attaining other key macroeconomic aims.'** **How far do you agree with this statement?** *Answers should address both parts of the question. How far economic growth will decrease unemployment should be discussed by linking growth to output, income and employment. Candidates might also question whether economic growth will **always** reduce unemployment. For example, new technology might lead to increase in output via increases in productivity, at the expense of jobs. The second part of the question requires candidates to discuss possible conflicts between attaining economic growth, controlling inflation and reducing balance of payments deficits.* **L4 (9–13 marks):** for an answer that discusses the possibility that in certain circumstances, economic growth might not decrease the level of unemployment and provides supporting examples. At least two potential problems relating to the attainment of other macroeconomic goals should be discussed. **L3 (7–8 marks):** for an answer that analyses the relationship between a growth in output and a subsequent increase in employment. Diagrams might be used to support the analysis. At least one potential problem relating to the attainment of other macroeconomic goals should be identified. **L2 (5–6 marks):** for an answer that describes why economic growth might create jobs and makes some attempt to explain why other macroeconomic goals might be affected. **L1 (1–4 marks):** for an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

Question	Answer	Marks
7	**The International Monetary Fund (IMF) lends money to developing countries but requires that these countries reduce existing restrictions on imports, focus on the export of primary goods and accept a devaluation of their currencies.** **Based upon the above, assess whether developing countries should continue to borrow money from the IMF.** *Answers should focus on examining the potential effects on a developing country of each of the three IMF requirements referred to in the question. In each case, an attempt should be made to assess whether the negative effects of these requirements might be greater than any benefits associated with the loan. Removing restrictions might cause balance of payments problems, focusing on exporting primary goods might lead to instability of income and low rates of productivity, devaluation might lead to cost push inflation.* **L4 (18–25 marks):** for an answer that uses an analysis of each of the requirements and attempts to evaluate the relative importance of their combined effect on an undeveloped economy. Good responses will also comment on the potential benefits of the IMF loan and attempt to form a conclusion which assesses whether, in the light of the restrictions, it would still be beneficial to take out the loan. **L3 (14–17 marks):** for an answer that analyses the potential impact of each of the requirements referred to in the statement and combines this with an analysis of the potential benefits of the IMF loan. **L2 (10–13 marks):** for a competent comment on each of the three effects but does not develop points and makes no reference to the potential benefits of the IMF loan. **L1 (1–12 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**