Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **October/November 2022**

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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This document consists of **15** printed pages.

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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.

MARKING SPECIFICS

1 How to deal with crossed out work and multiple answers:
   - Where a candidate crosses out an answer and provides an alternative response to that same question, then mark the work which is not crossed out.
   - Where a candidate crosses out an answer and does not make another attempt, you should attempt to mark the crossed out work and award marks appropriately. This must also be done even in circumstances where the candidate has gone on to answer an alternative optional question in Section B.
   - For the avoidance of doubt, all of a candidate's answers, crossed out or not, optional or not, must be marked. The only work which is not to be marked is something that has been crossed out and replaced by more work for that same question.

2 There is 'no response' (NR) award, as well as a zero marks award. Only award NR if there is nothing at all written in answer to that question (which is often but not always the case for optional questions), OR if there is a comment which does not relate in any way to the question (e.g. 'can't do' or 'don't know' etc.), OR if there is a mark such as a dash or question mark which isn't an attempt at the question. You can use the [#] or [/] key as a shortcut for NR. However, if there is any attempt at the question which does not score, including copying the question onto the Answer Booklet, then a mark of 0 must be awarded whether this work is crossed out or not.

3 Always check every page in every response, including additional objects. Every page requires some form of annotation to show you have seen it.

4 Sometimes a candidate mislabels their answers. They may, for example, have written '**3(a)**' in the margin, but the answer given is clearly to question **4(a)**. In this case, use the mark scheme for 4(a) and award the mark against the mark box for **4(a)**. Then add a text box comment to the response and put something like: 'this is **4(a)**'.

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ANNOTATIONS

Any script you mark may be seen or reviewed by your Team Leader, another Team Leader, the Principal Examiner, Cambridge International staff or the candidate's Centre. Annotation will make it clear how you arrived at the mark that you have awarded. The following annotations are used in marking this paper and should be used by examiners wherever appropriate.

Annotation	Use or meaning
L1	Meets description for Level 1 of the Levels of Response.
L2	Meets description for Level 2 of the Levels of Response.
L3	Meets description for Level 3 of the Levels of Response.
L4	Meets description for Level 4 of the Levels of Response.
✓	Correct and relevant point made in answering the question.
BOD	Benefit of the doubt given. The point has not been made quite correctly, completely or precisely, but is nearly there and the intention is clear.
^	Omission mark. A term, a label, a line on a graph, an example, etc, required to make the point correctly has been missed out of the response.
×	Incorrect point or error made.
?	The point being made is unclear or confused.
NAQ	Not answering the question.
SEEN	This work has been noted by the examiner, but there is nothing of any credit here.
[T] (text box)	A catch-all, when you need to give more detail or explanation, such as a breakdown of marks, or a comment. Please note that teachers who request a script can read your comments.

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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.

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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 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 i 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)	**Explain how the discovery and extraction of oil affects the productive capacity of Guyana.** An expansion of productive capacity (1)/Potential growth (1)/Aggregate Supply increases (1) Comments on effect on the production possibility curve (PPC)/aggregate supply (AS) (+1) **or** Any link between oil extraction and productive capacity (+1)	**2**
1(b)	**Using the information in the article:** **(i) Explain the type of unemployment arising from the closure of sugar plantations in Guyana.** Type of unemployment is structural (1) Explanation: Cannot compete with foreign sugar producers/change in pattern of demand (+1)	**2**
	(ii) Explain how this type of unemployment might be reduced Solution: Supply side policies (1) Example eg Skills/Training (+1). Up to 2 marks for any developed example Allow subsidies	**4**
1(c)	**Explain how an over-valuation of the exchange rate may affect Guyana's economy.** Import prices fall & export prices increase. (1) Imports increase and exports decrease (1) Import prices fall and imports increase (1) Export prices rise and exports decrease (1) **Max 2 marks** **Development** referring to any one of Balance of payments/ Inflation/Unemployment/Economic Growth/FDI (**up to 2 marks**	**4**
1(d)	**Discuss with reference to the article, how the establishment of the new fund may benefit the population of Guyana.** Identification of policies of the fund 3 x 1 mark Development of the impact of 3 policies, up to 2 additional marks for each policy **Max 4 marks** Conclusion (1)	**8**

Question	Answer	Marks
2(a)	**Using diagrams, explain with examples the meaning of a positive externality for a consumer and a negative externality for a producer.** *Externalities are spillover costs or benefits which do not apply to the originator of the actions. Positive externalities for a consumer bring a benefit and social marginal benefit is greater than private marginal benefits. Negative externalities for a producer bring a cost not paid for by the producer, Marginal social costs are greater than marginal private costs. Examples.* **L4 (9–12 marks)** For an answer which defines positive and negative externalities and analyses their relationship to social/private costs and social/private benefits. Appropriate diagrams are shown with reference to them in the text. Examples are linked to both types of externality. **L3 (7–8 marks)** For an answer which defines positive **or** negative externalities and analyses their relationship to social/private costs **or** social/private benefits. Appropriate diagrams are shown with some limited reference to them in the text. Examples are provided. **L2 (5–6 marks)** For an answer which explains positive and negative externalities an example of either positive **or** negative externality is given. **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**
2(b)	**Discuss the extent to which positive externalities and negative externalities explain all forms of market failure.** *Alternative forms of market failure, e.g. public goods, forms of non-perfect competition defined in terms of productive and allocative efficiency, forms of under employment of resources and, equality.* **L4 (9–13 marks)** For an answer which develops an analysis of two alternative forms of market failure. A conclusion is reached for 12/13 marks. **L3 (7–8 marks)** For an answer which develops an analysis of one alternative form of market failure and comments on a second form. **L2 (5–6 marks)** For an answer which defines and explains alternative form(s) of market failure. **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
3(a)	**Explain the law of diminishing returns and its relevance to the shapes of the marginal cost curve and the average variable cost curve of a firm.** *A statement of the law of diminishing returns (LDR) in terms of increased use of a variable factor of production with a fixed factor of production. Comment that LDR is a short run phenomenon. The effect of increasing/decreasing returns on average and marginal output. The relevance of these to the average variable cost curve.* **L4 (9–12 marks)** For an answer which refers to the short run, explains and analyses the implications of the LDR for the shape of the average and marginal output curves **and** the marginal cost curve and average variable cost curve. **L3 (7–8 marks)** For an answer which refers to the short run, explains the LDR and attempts to analyse the shape of the average and marginal output curves **or** the marginal cost curve and average variable cost curve. **L2 (5–6 marks)** For an answer which explains LDR and average and marginal costs. **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 the extent to which a firm's ability to operate a policy of price discrimination is determined by the market structure in which that firm operates.** *Definition and explanation of price discrimination (PD). Necessary conditions for PD: able to set price, separate markets and differing PED. PD and perfect/imperfect market structures* **L4 (9–13 marks)** For an answer which develops an analysis of the consequences of the necessary conditions for PD on the price and output of a firm. Consideration is given to a form of market structure which enables the conditions of PD to be practiced. A conclusion is reached for 12/13 marks. **L3 (7–8 marks)** For an answer which develops an analysis of the consequences of the necessary conditions for PD on the price and output of a firm. **L2 (5–6 marks)** For an answer which defines and explains PD. Answer may be largely descriptive with limited if any link market structure. **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
4	**Discuss the extent to which marginal revenue product theory can be used to explain the determination of wages.** using MRP theory. *Demand for labour (MRP theory MPP x MR (price) of labour, elasticity of demand and supply of labour and effect on wages. Effects of monopsony and minimum wage legislation. Questioning of the assumptions of the theory knowledge of MPP/MR/perfect labour market.* **L4 (18–25 marks)** For an answer which analyses the theory of wages using MRP theory. Comments are made regarding the elasticity of demand and supply of labour. Imperfections in the labour market are identified and linked to wage levels. The assumptions of the theory of wages are questioned. A conclusion is reached for 22–25 marks. **L3 (14–17 marks)** For an answer which analyses the theory of wages using MRP theory. Comments are made regarding the elasticity of demand and supply of labour **or** imperfections in the labour market are identified and linked to wage levels. **L2 (10–13 marks)** For a limited explanation which uses supply and demand analysis to determine wages and refers to differing wage levels. **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)	**Using Keynesian theory of interest rate determination, explain why interest rates are sometimes very low.** *Transaction, precautionary and speculative demands for money, the link between these and the rate of interest. Significance of speculative demand and the rate of interest/price of bonds, active/Idle balances, the liquidity trap. The level of the money supply.* **L4 (9–12 marks)** For an answer which explains the three demands for money and analyses their relationship with the money supply, rate of interest and the liquidity trap. **L3 (7–8 marks)** For an answer which explains the three demand for money with limited reference to the low interest rates. **L2 (5–6 marks)** For an answer which explains the transaction and precautionary demand for money, there may be limited reference to the speculative demand. **L1 (1 – 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 in a period of low interest rates, monetary policy alone can resolve the problem of cyclical unemployment.** *Monetary policy transmission mechanism and effect on demand in the economy. Limitations of low interest rates on ability to reduce rate of interest and provoke expansion. Fiscal policy as an alternative, multiplier effect, problems of size/timing of interventions.* **L4 (9–13 marks)** For an answer which develops an analysis of monetary and fiscal policy and applies them to the problem of cyclical unemployment. Some limitations of the policy(ies) are explained. A conclusion is reached for 12/13 marks. **L3 (7–8 marks)** For an answer which develops an analysis of monetary **or** fiscal policy and comments on the other policy, some application to the problem of cyclical unemployment is made. **L2 (5–6 marks)** For an answer which explains monetary or fiscal policy in a relevant context. **L1 (1–4).** 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)	**Explain how changes in the internal value of a country's currency can affect the external value of that currency.** *Definitions of the two terms internal and external value of a currency: inflation and the exchange rate. The link between changes in the internal value of the currency and the exchange rate and the exchange rate and the rate of inflation. Comment on the effect of a fixed/floating exchange rate.* **L4 (9–12 marks)** For an answer which defines the internal and external values of a currency: inflation and the exchange rate. It explains the two terms internal and external value of a currency and analyses the relationship between a change in one and the effect on the other. **L3 (7–8 marks)** For an answer which defines the two terms internal and external value of a currency, and which explains the relationship between a change in one and the effect on the other. **L2 (5–6 marks)** For an answer which defines and explains the two terms. **L1 (1–4)** 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)	**Discuss whether a government can achieve all its key macroeconomic aims simultaneously.** *Statement of a government's macroeconomic aims: low unemployment, low inflation, (The Phillips curve relationship), economic growth and balance of payments equilibrium. The use of aggregate demand (AD) and aggregate supply (AS) analysis to demonstrate the effect of under-employed and fully employed resources in the short run and long run.* **L4 (9–13 marks)** For an answer which analyses 2 conflicts in simultaneously achieving the macroeconomic aims of government. AD/AS analysis or an alternative form of analysis is used to show the effect on the achievement of these aims. A conclusion is reached for 12/13 marks. **L3 (7–8 marks)** For an answer which analyses 1 conflict in simultaneously achieving the macroeconomic aims of government. AD/AS or an alternative form of analysis is used to show the effect on the achievement of these aims. **L2 (5–6 marks)** For an answer which describes 2 macroeconomic aims of a government. **L1 (1–4)** 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
7	**Discuss the ability of multinational corporations to increase living standards in their home country and the other countries in which they operate.** *Definition of multinational corporation (MNC) and definition of standard of living (SoL). Analysis of impact of MNC on its host and home countries and the effects of these on SoL e.g. employment, investment exports/imports, remittances, transfer of externalities, urbanization, tax yield and expenditure.,* **L4 (18–25 marks)** For an answer which defines MNC and SoL and discusses the impact of a MNC on the SoL of the home **and** host countries. A conclusion is reached for 22–25 marks. **L3 (14–17 marks)** For an answer which defines MNC and SoL and discusses the impact of a MNC on the SoL of **either** the home **or** host countries. **L2 (10–13 marks)** For a limited explanation of MNC and its impact on the SoL of a country. **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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