Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2023**

MARK SCHEME

Maximum Mark: 60

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.

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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.

Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

Assessment objectives

AO1 Knowledge and understanding
- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis
- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2**, **3**, **4** and **5**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	11–14
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	6–10
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–5
0	No creditable response.	0

Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**, **3**, **4** and **5**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	4–6
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–3
0	No creditable response.	0

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Question	Answer	Marks
1(a)	**With reference to Table 1.1, what indicates that Japan's government has borrowed substantially?** Since 2016 Public Debt (1) has been more than twice the size of GDP (1)	**2**
1(b)	**Although Japan is the world's fourth largest exporter, it has suffered trade deficits.** **Explain how this might have happened.** 1 mark for identification of reason + 1 mark for development (2×2) Value of imports must have exceeded value of exports – could have been affected by different price elasticities for exports and imports (1) Loss of export sales reflected in declining industrial production in Japan eg. Toyota cars. (1) Tensions between trade giants, USA and China, could have also affected their trade partners – 19% of exports go to each of these countries. Lower world trade volumes caused by virus (2) Accept any other relevant reason.	**4**
1(c)	**Consider whether the evidence provided shows that Japan's economic decline in 2020 was caused by the COVID-19 pandemic.** Answers need to see Japan's economic decline in 2020 exaggerated by the coronavirus (1) IMF figures on the global economy (1) 2020 lockdown worsened domestic consumption and export trade in industrial goods such as cars. (1) But the decline was part of a much longer-term decline in the economy. Quote figures from table. Reference to two decades of decline before 2011 due to deflation and economic stagnation. (2) Sales tax imposed in 2019 could help to explain declining retail sales; table 1 (1)	**6**

Question	Answer	Marks
1(d)	**Low interest rates have been used by Japan's Central Bank since 2016.** **Analyse how low interest rates might stimulate an economy and evaluate whether their use has been successful in stimulating Japan's economy since 2016.** Up to 4 marks for theory response Up to 4 marks for application of data In theory, low interest rates would boost the economy by encouraging consumers and investors to take more risks when borrowing. (2) In theory the low interest rates should discourage saving and increased consumption but the pattern of retail sales seems to contradict this expectation. (2) Also, low interest rates should encourage borrowing for industrial investment to expand capital assets but industrial production has declined significantly after 2017 (2) Policy appears to have worked best in 2017 when industrial production and retail sales improved significantly linked to the highest rate of economic growth year-on-year. However the fall in exports, trade wars (US − China) and high levels of public debt have continued to lead to more stagnation. This has been made worse by the coronavirus pandemic in 2020 (2)	**8**

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Question	Answer	Marks
EITHER		
2	**The provision of health care by the public sector is inefficient, therefore all health care should be provided by firms operating in the private sector.** **Evaluate this comment.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The distinction between public and private ownership should be clearly explained. • Health care should be identified as a merit good and the significance of merit goods explained. • The links between a merit good, positive externalities and allocative efficiency should be analysed. • Analysis of the relationship between the public provision of health care and efficient outcomes should be provided. • Analysis of the possible causes of inefficiency relating to the provision of health care by the public sector	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • Private providers of health care are unlikely to provide an allocatively efficient level of health care because of a failure to take into account the additional benefits of positive externalities. • Private firms are likely to aim for profit maximization and this might lead to a higher cost of receiving health care. • If access to health care in the private sector is based on an ability to pay, this might create inequitable outcomes in society. • The pursuit of profit might lead private firms to cut costs and reduce any unnecessary bureaucracy thus leading to a more efficient use of scarce resources. • The substitution of public provision by private provision might enable additional resources to become available in the public sector. • A conclusion should be attempted which examines the net benefits of each alternative ie private or public sector provision of health care. • Also, the impact on price and output in some circumstances takes a long time to become effective. • Advertising is often costly and it is not always certain that it will have a sufficiently persuasive effect to ensure the correct level of output/consumption is reached. • It is possible to show that government intervention can reduce the level of inefficiency caused by the existence of negative externalities but it is not clear whether the net effect of government intervention will always be positive. Some types of intervention will be more effective than others depending **on the nature of the good/service under consideration.** **Accept all valid responses.**	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**A government allows the merger of two large firms in the same industry.** **With the help of a diagram evaluate the view that this merger should not have been allowed.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • This merger is an example of horizontal integration where two firms merge at the same level in the production cycle. • Mergers of two large firms producing similar goods, at the same level in the production cycle is likely to lead to a monopoly market structure. • Monopoly providers, through market dominance, can raise prices and drive smaller firms out of business. A diagram might provide supporting analysis. • Given the nature of the goods provided, this merger might also lead to significantly less choice. • A large, dominant organization might have less incentive to operate efficiently and X inefficiencies might occur. • Analysis of the potential negative impact on the local labour market. NOTE: Limit of Level 2 if no relevant diagram **AO3 Evaluation** • Merging firms might argue that an increase in size will lead to more opportunities to provide a wide range of goods and therefore more consumer choice. • Also, it is possible that the merger will lead to an increase in dynamic efficiency and this increase would allow long term more investment and ultimately lower prices. A supporting diagram can be provided. • Such a merger will enable the firms to benefit from economies of scale. For example, reducing managerial inefficiencies. This could also lead to lower prices. • Any potential negative effects of this merger can be accounted for by government intervention and regulation when the merger takes place. • A conclusion should refer to the preceding analysis and then make some attempt to make a judgement whether, on balance, the merger should proceed. **Accept all valid responses.**	**20**
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**Assess the extent to which monetary policy can be used effectively to solve the problem of unemployment.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Knowledge of different types of monetary instruments, including: the use of interest rate changes; changes in the money supply and the use of exchange rate changes. • Reference to problems associated with unemployment, primarily the inefficient use of national resources • Explanation of some of the different causes of unemployment • Analysis of the links between changes in interest rates and unemployment • Analysis of the links between control of the money supply and or the use of exchange rates to reduce the level of unemployment	**20**
	AO3 Evaluation • The effectiveness of monetary policy is likely to depend to some extent upon the cause of unemployment. Monetary policy can be used to influence aggregate monetary demand which will be more effective dealing with cyclical unemployment. • The use of some monetary instruments might have a negative effect on macroeconomic aims. For example, reducing interest rates might depreciate the currency and potentially promote either cost push or demand-pull inflation. • Alternative policies might be more effective if structural factors are responsible for unemployment. In this case, supply-side policies might be more effective. • Lowering interest rates might cause problems for specific industries within an economy. For example, low interest rates might cause a boom in the housing market. • A conclusion should make an attempt to make an overall comparison between the use of monetary policy and alternative fiscal or supply side policies. A judgement should be made which directly addresses the statement in question.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
5	**To what extent do you agree with the view that globalisation benefits high-income countries at the expense of low-income countries?** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Globalisation would promote free trade, free movement of capital and labour and the transfer of technology. Cultural and political ties would be strengthened. • Key characteristics of low-income countries would include: low levels of productivity; high dependency ratios; low GDP per capita; significant dependence on producing and exporting primary goods. • High-income countries are likely to benefit from access to a wide range of goods and services and access to good health care and education. • Comparative advantage allows high-income countries to increase their standard of living by providing access to cheap raw materials produced in low-income countries. • Globalisation can lead to economic dependency and significant imbalances of trade which, in the long run, might have a negative effect on living standards in low-income countries. **Assess the contribution of Foreign Direct Investment (FDI) to the improvement of the standard of living in low-income countries.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** Key terms ‘Foreign Direct Investment’ (FDI) and ‘low-income countries’ may be identified and explained before considering the main issues that might influence the discussion. • FDI is long-term investment usually by multinational companies (MNCs) in countries abroad. • This type of investment would normally be in fixed capital such as machinery and building factories.	**20**

Question	Answer	Marks
5	• Key characteristics of low-income countries would include: low levels of productivity; high dependency ratios; low GDP per capita; significant dependence on producing and exporting primary goods. • Low living standards are generally associated with: high poverty levels; inequality; poor housing, education and health; and rapid population growth. • An improvement in living standards is very closely linked with an improvement in economic performance. An improvement in economic performance is measured by increases in GDP per capita and changes in productivity which enable changes in GDP to be achieved. • FDI mainly takes place in the secondary (manufacturing) sector of a low-income economy and focuses on the provision of new technology, building new factories and training the work force. As a result of this type of investment it is likely that productivity, output, employment and income levels will rise. • More real wealth will be created and higher levels of tax revenue are likely to be received by a low-income country's government. This will enable more expenditure on health, housing and education as well as increased access to more consumer goods. These improvements are generally associated with a rise in the standard of living. However, an overreliance on FDI by a low-income economy might mean neglecting more important domestic macroeconomic policies, which might have a negative impact on the economy in the long run. **AO3 Evaluation** • The links between globalization and the costs/benefits imposed on low-income countries is not clear. For example, low-income countries might benefit significantly from the transfer of new technology from high income countries. • Higher skilled work might be provided through the global transfer of labour therefore helping to train the indigenous population. • Globalisation through trade and technology transfer should provide opportunities to create more real wealth which can then be used to provide merit goods such as health care and education. • In some cases, individual firms in low-income countries might gain access to large markets in high-income countries which will subsequently allow new businesses to grow. • In conclusion, it is clear that there is a potential role for globalisation to benefit both high and low-income countries, but this will depend on many factors which have been referred to above, some of which might have an overall positive impact. **Accept all valid responses.**	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6