Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

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

Section A Data response

Question	Answer	Marks
1(a)	**Describe what is meant by economic equality and distinguish it from equity.** Economic equality is the equal distribution of income, wealth and opportunities between across all sectors of society. This could affect job prospects, earnings, education. (2) Equity is fairness/justice/any relevant comment (2) **Up to maximum 3**	**3**
1(b)	**Define what is meant by actual growth and analyse the relationship between growth and unemployment as illustrated by Fig. 1.1 and Fig. 1.2.** Actual economic growth is measured by the percentage change in a country's real national output (GDP) (1) in a period of time (1). General trend: employment fluctuates but there is a general rising trend. (1). declining rates of growth are linked with increasing levels of unemployment or there is an inverse relationship between growth and unemployment (1) Specifically: negative rates of growth in GDP (depression) correspond to highest levels of unemployment (1) The general growth trend is falling (1) **Up to maximum 5**	**5**
1(c)	**Assess the evidence provided about the significance of the performance of the state-owned electricity monopoly as a contributor to the decline in South Africa's economy.** Electricity supply is fundamental to the functioning of an economy. The company has been unable to meet national demand for electricity and has used power cuts to ration consumption. (1) Article mentions other industries in decline but states that the electricity company is the biggest threat. (1) Lack of electricity has had an effect on the outputs of mining and manufacturing that have led to unemployment. (1) General uncertainty has led to reduced investment and has also contributed to the situation that South Africa's actual growth is well below its potential growth in view of its well-endowed natural resources. (1) No similar figures for the other industries so a definite conclusion about the exact significance of the electricity industry is not possible. (1) The company's debts added significantly to South Africa's national debt (1) **Up to maximum 5**	**5**

Question	Answer	Marks
1(d)	**Evaluate whether attracting investment and managing uncertainty are the most effective ways to improve the prospects for South Africa's economy.** Various government reforms and poor performances of some state industries have undermined confidence in the entire South African economy. (1) This can be illustrated by the lack of investment by the private sector in the mining industry leading to increasing unemployment. (1) The South African economy has also been diminished in the international economy as indicated by the fall in FDI (Figure 3) (1) High unemployment means low consumer expenditure and low growth in AD. (1) Future prospects for improvement seem limited in the short run (1). Longer term it needs to overcome a skills shortage by reforming education (1) and restrictive trade union practices. (1) Nevertheless, there is some increase in FDI (1). Longer term increase in infrastructure (1). An increase in employment/economic growth in the economy (1)	**7**

Question	Answer	Marks
EITHER		
2	**Pollution is caused when consumers or producers make decisions based on self-interest. This is a sign of market failure.** **With help of a diagram evaluate the extent to which government policies should rely upon market forces to address this market failure.** 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** • An explanation of the link between pollution and market failure. • Recognition that pollution can be caused by production or consumption. • Explanation of negative externalities • Use of a diagram to analyse the links between negative externalities and market failure. • Analysis of how market forces can be used to solve the problem of market failure, caused by negative externalities.	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • Private firms are likely to aim for profit maximisation and this might lead to these firms focusing upon private costs and ignoring social cost. • The use of taxation to influence price and output is unlikely to remove all market inefficiency because it is very difficult to measure the correct amount of taxation that should be applied. • The use of minimum prices would only be partially effective and might have significant effects on firm's profits and employment. • Alternatives to the use of the price mechanism might, in some circumstance, allow a government to achieve a more precise control of negative externalities. For example, through the use of a complete ban of consumption/production. • A conclusion should be attempted which examines the net benefits of each alternative i.e. through direct government intervention or through the use of market forces. 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	**Evaluate the view that monopolistically competitive firms will always charge lower prices and operate more efficiently than a monopoly firm.** 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** • Characteristics of a monopolistically competitive market should be described. • Difference between short run and long run profit maximizing output in monopolistically competitive markets. • A monopoly market should be described, including main characteristics and key difference between this type of market and monopolistic competition i.e. barriers to entry. • Different types of efficiency should be identified and explained. • Analysis should discuss the links between monopoly and higher prices and inefficiency. This analysis can then be used to compare both monopoly and monopolistically competitive markets. • Analysis should then be used to compare short run and long run outcomes on both types of market. **AO3 Evaluation** • Some monopolies might invest in new technology and achieve dynamic efficiency. This will enable lower average total costs and an opportunity to pass the benefits of lower costs on in the form of lower prices. • Similarly, monopolies might benefit from economies of scale which might also lead to lower prices. • Monopolistically competitive firms might incur additional costs through the need to engage in non-price competition. This might lead to higher prices. • Monopolistically competitive firms will achieve productive efficiency in the long run but a profit maximizing firm will not operate at an allocatively efficient level of output. • A conclusion should attempt to address each element of the statement by addressing both price levels and efficiency outcomes in relation to both types of market structure. The key word ‘always’ should be considered in the light of the preceding argument. Accept all valid responses	**20**
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**With the help of a diagram, assess the effectiveness of the use of fiscal policy to close a negative output gap in an economy.** 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** • Fiscal policy would require a government to use taxation and government expenditure changes to influence key macroeconomic goals such as inflation, economic growth and the level of employment. • An output gap will show the difference between the actual output of an economy and its potential output. • A negative output will indicate that there is spare capacity in an economy which will be primarily due to insufficient aggregate monetary demand. A relevant diagram can be used to illustrate this gap. • Analysis can be used to show how a government will be able to significantly influence aggregate demand by either increase its expenditure or reducing the overall level of taxation. • A budget deficit will inject additional demand into an economy which will have a magnified effect on output, income and employment due to the positive contribution of a multiplier effect.	**20**

Question	Answer	Marks
4	**AO3 Evaluation** • Fiscal policy could help to close a negative output gap by increasing a government's budget deficit but this may lead to higher interest rates and crowding out in the private sector. • It is difficult for a government to produce an accurate forecast of the magnitude of the output gap. • Although a budget deficit might help to reduce a negative output gap in the short run, if the deficit is financed by increasing the money supply, this might lead to inflation in the long run. • Alternative policies such as supply-side policies might be more effective by closing the output gap while avoiding the risk of inflation in the long run. • Expansionary fiscal policies used to close an output gap might lead to an increase in the demand for imports and subsequently, a negative impact on the country's balance of payments. • While the long-run impact on the current account is dependent upon respective export/import price elasticities of demand, it is also important to recognise that if raw materials such as oil constitute a significant proportion of the value of imports then the price elasticity of demand for imports is likely to be low. • The long-run impact on inflation will be influenced by the current state of the economy when the devaluation takes place. For example, if there is a significant amount of spare capacity, the effect on Aggregate Demand of a lower price of exports might be limited. • It could also be noted that a government which chooses to use a policy of devaluation is perhaps prioritising the need to correct a balance of payments disequilibrium at the possible expense of other key macroeconomic goals such as controlling inflation. • Based on the evidence/analysis provided, it is not clear whether a devaluation of the currency will solve a persistent current account deficit in either the short run or the long run. Similarly, the impact on the general price level will depend on a number of variables which are difficult to predict or measure accurately. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
5	**Assess the impact of international aid on 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** • Aid can be defined as any assistance given to a country that would not be provided through normal market forces. • There are two main types of aid, humanitarian aid; development aid. Development aid would include many different types including: long term loans; tied aid; bilateral aid and multilateral aid. • 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 grow. • Aid that focuses on the provision of new technology, building new factories and training the work force is likely that productivity, output, employment and income levels will rise. • Aid can increase real wealth 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.	**20**

Question	Answer	Marks
5	**AO3 Evaluation** • The links between an increase in aid and an increase in living standards are not clear. Sometimes aid only reaches a relatively small section of the population. For example, due to corruption. • Different types of aid might produce different outcomes. For example, aid in the form of long-term loans might make it more difficult for low-income countries to escape the cycle of poverty. • Aid is sometimes given for political reasons rather than the low-income countries where the need is the greatest. • Tied aid might mean that low--income countries receiving such aid have to purchase goods and services from the donor country which are more expensive. • Long term dependency upon aid might lead to a welfare mentality and reduce levels of innovation in the low-income country. • A conclusion might attempt to form an overall judgement on the short term and long-term efficacy of development aid in relation to the improvement of living standards in low-income countries. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6