CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 A Level Data Response and Essays **October/November 2024**

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 descriptions 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.
- Semicolons (;) 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.

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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**

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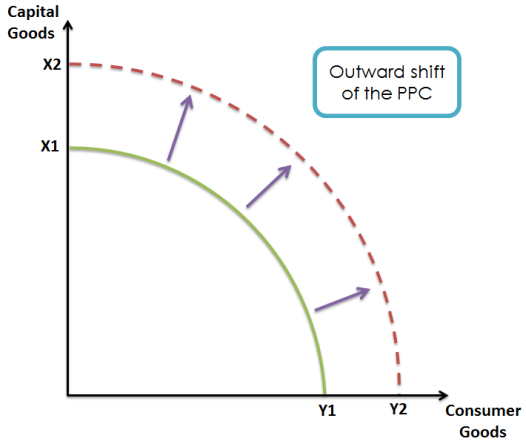
Table B: AO3 Evaluation

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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Section A

Question	Answer	Marks
1(a)	**With the aid of a diagram, explain the effect of natural resource development on the potential growth of Ghana.** Natural resource development will increase the potential growth of Ghana. **(1)** The production possibility curve or LRAS curve will move outwards. **(1)**  Axes/labels **(1)** Shift in PPC or shift in LRAS **(1)**	**4**
1(b)	**Explain how the extraction of natural resources in Ghana will 'create further employment in other sectors through the multiplier effect'.** The multiplier is the total increase in national income/output **(1)** from an increase in injections into the circular flow of income **(1)** The article identifies new jobs and their associated incomes **(1)** This in turn creates a further round of spending/jobs/income **(1)** **2 marks for understanding of the multiplier** **2 marks for application using case study**	**4**
1(c)	**Explain what the information means by the 'Dutch disease' and using Fig. 1.1, consider to what extent Ghana suffered from this problem.** When natural gas was discovered and exported from the Netherlands this caused the exchange rate to rise **(1)**, and made manufactured exports more expensive **(1)** which led to a fall in manufacturing output/exports. **(1)** Manufactured exports fell from about 25% to less than 10%. **(1)** Chart 2 would support the claim. **(1)**	**4**

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Question	Answer	Marks
1(d)	**Use the information to assess the impact of the extraction of oil on the standard of living in Ghana.** Definition of the SoL: material and non-material well-being. **(1)** A wide range of data to choose from: • increase in jobs in oil and related industries **(1)** and increased income **(1)** • wider range of goods and services available **(1)** • job losses in other parts of the economy **(1)** • improvement in GNI more than double **(1)** • human development rating improved which cover education and health**(1)** **But** • no data on distribution of income **(1)** • working hours/leisure **(1)** • levels of pollution often significant in the oil industry **(1)** • chart 2 shows percentages so not possible to know if employment has increased or decreased in different sectors **(1)** **Note:** One-sided argument **max 4** **Conclusion** A good deal of information suggests SoL has improved but data not definitive. (**1)** **Note:** max 4 marks for list	**8**

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Section B

Question	Answer	Marks
EITHER		
2	**Governments in many countries are promoting policies that reduce the impact of the negative externalities.** **Evaluate, using appropriate diagram(s), the extent to which <u>two</u> policies used to reduce negative externalities can also improve allocative efficiency.** 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** • Definitions of negative externalities. • Explanation of negative externalities with example(s). • Analysis of the effects on output and price of negative externalities leading to over-production and under-pricing of goods and implication for allocative efficiency. • Identification, application and analysis of two policies which may reduce negative externalities. • Candidates may refer to: indirect taxation of activity, subsidies of alternative, prohibition of activities, improved information, pollution permits. **Note:** Maximum L2 if no diagram **AO3 Evaluation** • Evaluation may refer to direct cost of implementation, extent of impact on allocative efficiency, effect on production costs, local effects on employment, or regressive/progressive income effects. • Information failure preventing the extent of the negative externality being known. Accept all valid responses.	**20**

Question	Answer	Marks
OR		
3	**Evaluate the consequences for the price and output of a firm if it changes its objective from profit maximisation to sales maximisation as a response to the principal-agent problem.** 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** **AO1 Knowledge and understanding and AO2 Analysis** • Definition/explanation of profit and sales maximisation (SM). • Explanation of the meaning of principal-agent problem. • Analysis of the profit maximisation in terms of MR = MC and the equilibrium price and output of the firm. • Analysis of the SM in terms of AR = AC and the equilibrium price and output of the firm. • Comparison of the price and output decisions of the alternative objectives. • Relevant diagrams may be used. **AO3 Evaluation** • Profit maximisation results in a higher price and lower quantity than SM. • Welfare benefits to consumer, as producer surplus is transferred to consumer. • Greater equality. • Misdirection of resources to SM firms therefore reduction in allocative efficiency. Accept all valid responses.	**20**

Question	Answer	Marks
EITHER		
4	**In periods of rising and persistent inflation, consumers and workers change their expectations of the future rate of inflation.** **Evaluate, with the help of a diagram(s), the consequences of these changes of expectations for fiscal policy.** 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** **AO1 Knowledge and understanding and AO2 Analysis** • Definition of inflation, non-accelerating inflation rate of unemployment. • Expectations mean consumers and workers change their view on the future rate of inflation based upon their experience of past inflation rates. • Use of AD, AS analysis to show how inflation occurs. This may be referred to as cost push/demand pull inflation. • Explanation of Phillips curve in terms of the trade-off between wage growth/inflation and employment. This becomes a cost-push view of inflation as workers pursue higher wages to compensate for higher prices (the wage/cost spiral). • Analysis of Fiscal policy on changing unemployment/inflation. • Impact of changing expectations on the fall in unemployment and the rate of inflation **Note:** Maximum L2 if no diagram **AO3 Evaluation** • Changing expectations means that the anticipated fall in unemployment is temporary as consumers and workers negotiate higher wages to offset the past inflation. • Fiscal policy can no longer be used to reduce unemployment. • The shape of the AS curve – whether it is horizontal or vertical in the short-run. Keynesians argue AS is more elastic in the SR • Expansionary fiscal and monetary should not be used as they only create higher inflation.	**20**

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Question	Answer	Marks
4	• Phillips curve relationship may no longer be valid. In the 1970s there was high inflation and high unemployment, in the 2000s there was low unemployment and low inflation. • In the 1960s/1970s there was more structural strength between wages and inflation as there was a larger proportion of unionised labour and the ability of workers to negotiate higher wages was stronger. • Since the 1950s when the Phillips curve relationship was determined, there has been a significant increase in world trade and development of MNC the supply of labour is no longer limited by national borders. • To achieve low inflation and low unemployment policies which stimulate economic growth and supply-side policies which reduce capacity restraints are needed. Accept all valid responses.	

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Question	Answer	Marks
OR		
5	**In recent years many countries have joined or established a free trade area (FTA).** **Evaluate, with the help of a diagram(s), whether membership of an FTA is always beneficial to a country.** 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** **AO1Knowledge and understanding and AO2 Analysis** • Definition of an FTA. • Examples of FTA. • Definition of a tariff and explanation of its impact on imports/exports. • Definition of non-tariff barriers and their impact. • Analysis of pre and post common tariff trade. • An appropriate diagram to show effect on domestic output of imposition and the common tariff of an FTA. Use of diagram to show the beneficial effect on consumer surplus. • Lower prices leading to more consumer surplus/greater allocative efficiency. • Benefits of greater economies of scale – productive efficiency increases. **Note:** Maximum L2 if no diagram **AO3 Evaluation** **Microeconomic:** • Impact depends on PED/PES for the products/services in the membership of the FTA. More inelastic PED/PES the smaller the quantity effects will be and the lower the benefits. Some countries may have very strong preference for domestically produced goods and services and the removal of tariffs has minimal effects. • The change in demand from domestic goods to imported goods will cause structural unemployment. • The removal of barriers may enable a country to 'export' some forms of production which are highly polluting to fellow FTA members. • Cheaper costs of production due to cheaper raw materials/components lowering domestic costs and increasing export competitiveness. **Macroeconomic:** • Effect depends on the marginal propensity to export/import (MPX/M). If the net effect is that (X – M) increases, there will be a positive effect on aggregate demand. • Similarly a net increase in employment will lead to an increase in consumption (C) and a positive multiplier effect. • Both the points above may be explained using a diagram. Accept all valid responses.	**20**