CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

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.
- 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.

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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

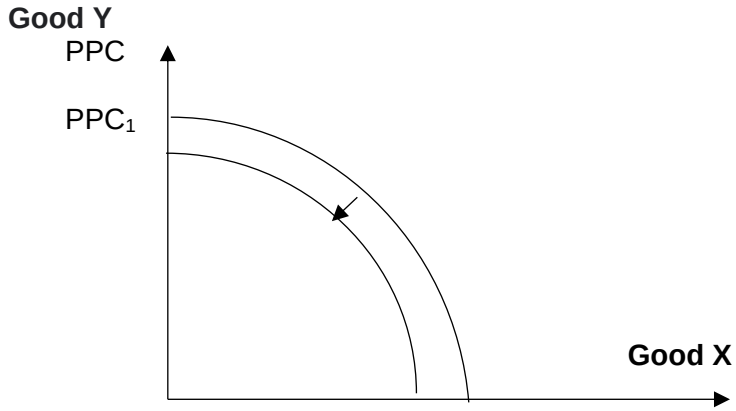
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Table B: AO3 Evaluation

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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Question	Answer	Marks
1(a)	**Identify the relationship between the variables shown in Fig. 1.1 and suggest <u>one</u> possible reason for the relationship.** As the rate of unfilled jobs increases the foreign-born share of employment increases. **(1)** They are directly proportional. **(1)** This suggests that the US uses immigrants to fill labour shortages. **(1)** Immigrants will be drawn to those occupations where there are most vacancies. **(1)** Some jobs with the high foreign-born share rate and high unfilled job rate may be regarded as 'starter' jobs **(1)** which are taken initially whilst looking for something better. **(1)**	**2**
1(b)	**With the help of a production possibility curve (PPC) diagram, explain <u>both</u> the likely effect of the prevention of migration to the US from 2019 <u>and</u> the retirement of older US workers on the US's productive potential.**  Axes/labels **(1)** Shift in PPC from PPC to PPC_1 **(1)** The prevention of migration will mean the PPC will not change **(1)** The retirement of older US workers will shift the PPC to the left (inwards) **(1)**	**4**

Question	Answer	Marks
1(c)	**Using the information and labour market theory, analyse why the wages received by migrant workers in the high-tech industries are likely to be higher than the wages received by migrant workers in the hospitality industry.** **Demand:** Theory suggests that the MPP of the educated will be higher than unskilled/less educated. **(1)** The value of the output of the educated will be greater than the less educated **(1)** and demand will be higher resulting in higher wages **(1)**. Some college educated become entrepreneurs in high-tech industries and gain the benefits of profits which can be very high. **(1)** There may be prejudice against less educated workers which is reflected in their pay. **(1)** **Supply:** The increase in immigrants has fallen and this may cause the wage gap for the low paid to narrow **(1)** and for the educated to widen. **(1)** **Other candidates** may analyse the problem in terms of elasticity of supply Unskilled, high wage elasticity of supply **(1)** and Skilled, low elasticity of supply **(1)** If a diagram is used award axes and all labels **(1)** relevant S&D **(1)** Missing data if the immigrants are concentrated in particular areas this could lead to an 'over-supply' which will reduce the pay of the less educated. **(1)**	**6**

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Question	Answer	Marks
1(d)	**Evaluate the likely impact of a return to the migration levels prior to 2019 on the macroeconomic performance of the US economy.** Increase supply of labour and therefore aggregate supply will increase. This may stabilise prices. **(1 + 1)** There will also be a rise in aggregate demand as migrants spend their income. Migrants likely to have a high MPC, therefore strong Multiplier Effect. (**1 + 1)** Payment of remittances will decrease X-M and worsen the B of P. (**1 +1)** US domestic employment will increase because immigrants set up new businesses. (**1 +1)** Crowding out argument: immigrant labour takes jobs of domestic workers - needs a rational argument to support this. **(2)** Both aggregate demand and supply will increase. This will increase GDP**,** if economic growth is considered good**.** This refutes the crowding out argument. **(1 + 1)** Credit any relevant used diagram- axes/labels **(1 + 1)** **MAX 7 for content** **Conclusion:** Allows government to achieve aims of growth, some debate about BoP - probably worsen, employment increase in number. **(1)**	**8**

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Question	Answer	Marks
EITHER		
2	**Evaluate whether marginal utility theory can fully explain the link between the changing price of a good and quantity demanded of that good.** 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 marginal and total utility. • Explanation of total utility and diminishing marginal utility. • Analysis of the effect of a change in price through the equi-marginal principle and illustration of the effect with a diagram. • Diagram of the falling demand curve v price, which can apply to both normal and inferior (non-Giffen) goods but the theory does not distinguish between them. **AO3 Evaluation** • Discussion of the validity of the rational consumer. Imperfect information, bounded rationality, impact of advertising. • Unable to distinguish between the income and substitution effects and therefore does not account for Giffen goods. • The difficulty of the ceteris paribus assumption that other things do not change when in practice they do. Each change would require a re-estimation of the demand schedule. • The assumption that money has constant utility. Is the last dollar of someone earning $10 000 the same value as someone earning $100 000. • Difficulty of MU theory accounting for the purchase of a one-off good e.g. a house. Accept all valid responses.	**20**

Question	Answer	Marks
OR		
3	**Privatisation is often required by the International Monetary Fund (IMF) and the World Bank before they are prepared to offer support to countries requiring loans, grants, debt relief and debt cancellation programs.** **Evaluate the view that privatisation will always improve the allocation of resources in 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** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Definition/explanation of privatisation: the selling of state-owned corporations (the meaning of the term can include the provision of services and goods by private firms). • Explanation of productive/allocative efficiency. X-inefficiency. • A model of monopolistic competition/oligopoly/monopoly is used to analyse the effects on efficiency of shifting to privatised economy • Definition/explanation of a market economy. • Development of benefits of privatisation: – Greater competition in the market if an industry is privatised as competing firms. – Greater scrutiny of operation by shareholders should hold the company to account and increase efficiency. – Wider access to funds - not dependent on a government's wider economic concerns. • Analysis may be in terms of comparing the monopoly model with one which is more competitive e.g. monopolistic competition or oligopoly and drawing the relevant inferences. • Relevant diagrams correctly drawn and labelled with accurate reference to them in the text. • Reduction in the need for the government to finance the activity and the implications for fiscal policy. • A further source of funds for the government that can be used to repay government debt and reduce the burden of interest payments. The funds can be devoted to education/health services improving economic development. • The cost of a loss-making state industry is no longer borne by the general tax-payer.	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • Evaluation against productive, allocative and/or dynamic efficiency. • Privatisation may lead to the break-up of a natural monopoly e.g. railways/water pipelines. The problem of the 'final mile delivery'. • A state monopoly may simply be replaced with a private monopoly. Competition may be unrealistic due to high barriers to entry (BTE). • Many privatisations are accompanied by an industry regulator which suggests that the privatisation needs policing. The amount and direction of investment, and the pricing strategy are reviewed to maintain the industry's efficiency. • Equity the transfer of profitable state-owned assets to private individuals means the contribution they might make to the state funds are lost. • Often there is a loss of employment in the industry and the burden of unemployment pay falls on the government raising the fiscal deficit or requiring more borrowing. • Private firms are only concerned with private costs and benefits, they ignore negative externalities and their consequences. Accept all valid responses.	

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Question	Answer	Marks
EITHER		
4	**The table below contains some key economic data for Mexico in 2020.**	**20**

Gross National Income (GNI)	18.5 billion pesos
nominal wages	+2.8%
disposable income	+1.2 %
unemployment rate	4.2%
population growth rate	1.1%
inflation rate	3.4%

Evaluate the use of these statistics in assessing the standard of living in Mexico in 2020.

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

SoL within Mexico
- Definitions of material and non-material standard of living (SoL) and GNI explanation of the difference in their meanings.
- Definition and explanation of the other data given.
- The meaning and development of the data and the implication of the value given for SoL.
- A developed analysis of the links between each of the data given and the SoL.

AO3 Evaluation

- Data does not specify precise time periods, therefore it's not possible to tell whether the position has improved or not with respect of GNI or the other data given.
- Can point out that population size rather than population change would be a better measure together with a base year price index to allow real GNI per capita to be calculated to indicate the material SoL.
- Wages and disposable income and the unemployment rate would indicate the change in the material SoL.
- The changes in wages in comparison with inflation suggests there is a fall in real income.
- The need for other measures: education, health, life expectancy, hours worked etc. which influence the non-material SoL e.g., HDI, MEW or MPI.

Accept all valid responses.

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Question	Answer	Marks
OR		
5	**Between 2010 and 2020, very low interest rates encouraged low-income countries to borrow money from foreign investors and governments to finance long-term economic growth.** **Evaluate this approach to promoting long-term economic growth.** 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** • Definition and explanation of long-term economic growth as a function of more inputs such as labour, land, and equipment creating an outwards shift of the productive possibility curve. Economic growth is measurable in terms of increases in real GDP. • Many developing countries are characterised by low incomes which prevent savings and the funds needed to finance investment and economic growth. Funding is needed to finance the investment and technological aspects of economic growth which comes from internal sources (savings) or from foreign lending/investment. • Foreign investment may be from governments (e.g. China's Belt and Roads initiative), international agencies (e.g. International Bank for Reconstruction and Development (IBRD)) or sovereign wealth funds. Governments borrow from other governments and international agencies to invest in infrastructure and other development projects which under lie economic growth. • Private capital investment via multinational corporations (e.g. Toyota, Intel). MNC investment is usually in factories, plant and machinery which increase output directly. • Candidates may analyse the effects of the increase in investment through aggregate supply and demand analysis. • Successful investment requires a return (marginal efficiency of capital (MEC)) which exceeds the rate of interest that has been relatively easy to obtain. • The effects of rising interest rates on developing countries: Many developing countries will suffer from falling exchange rates, especially if US$ interest rates rise this will increase the US$ funding cost of borrowings. The balance of payments (X-M) will deteriorate. • Accept references to IMF and World Bank lending investment funds.	**20**

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Question	Answer	Marks
5	**AO3 Evaluation** • Impact depends on the proportion of funding which comes from abroad and how much is locally sourced. If domestic funds are not available, then how else will the growth be funded. • The quality of the investment projects and the likelihood of realising a profit will affect the ability to cover the increase in interest rates. In some cases 'vanity projects' with little long-term economic benefit are funded (Roads to Nowhere) which enhance the standing of the government amongst its supporters but have no economic benefit. • The short-term effects of the project in terms of raising aggregate demand may be of limited benefit to the borrower if the lender requires much of the construction and materials to be sourced from them. This will have a negative effect on the current account of the balance of payments. • Higher interest rates in high income countries will raise the cost of borrowing by the low-income country. This means the cost of financing projects has risen representing an opportunity cost for borrowing. The balance of payments current account will deteriorate as the higher interest is paid. • Many low-income countries may be affected by a commodity price slump which reduces export earnings and depreciates a floating exchange rate making interest rate and capital repayment more expensive.	

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