CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

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**

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
Follow the point-based marking guidance at the top of this mark scheme.		
1a(i)	**Distinguish between limit pricing and predatory pricing.** Limit Pricing is a strategy used by the existing supplier to restrict the entry of new entrants into the market. The existing firm sets a price low enough to prevent new entrants considering it a worthwhile market in which to try and compete. They set a price possibly close to average cost so that just normal profit is made**. (2)** Predatory pricing by contrast is a strategy which is used by one supplier to force another supplier already in the market to leave the market. They set a price below unit cost in the short run to drive out competition. Then later raise prices to recover those losses. It is considered anti-competitive and is illegal under their anti-trust laws. **(2)** **1 mark for explanation and 1 mark for development for each concept**	**4**
1a(ii)	**Explain whether there is any evidence in the article of these two types of pricing policy.** Limit pricing: yes, investors not prepared to invest in new companies. Potential owners prepared to sell to existing large firms**. (1)** Also new owners might choose to leave the industry and this might be described as Predatory pricing. **(1)** **Must <u>explain</u> both types from the article to gain 2 marks**	**2**
1(b)	**Assess <u>three</u> possible positive effects on the macro economy of the huge increase in the size of the five largest technology companies.** • Increase in employment • increase in aggregate demand • increase in economic growth • possible increase in economic development • multiplier effects. Any three with a development for each one**, 2 marks** each. Also marks might be gained for relevant comments relating to inflation and the balance of payments. **N.B:** Must assess effects on **macro economy** not micro economy	**6**

Question	Answer	Marks
1(c)	**The article says the growth of large firms is bad for consumers, bad for competition, and causes inequality.** **Consider whether this statement can be supported by the article or by economic theory**. In support: Article mentions profit compared with salaries, restriction on union membership, avoidance of tax, expansion into adjacent markets. Theory: Growth of firms can lead to less choice, higher prices, restricted output, higher profits. This is supported by the article and by theory. It can be detrimental for consumers and detrimental for competition. Monopolies can be formed, small firms forced out of the market. (**4 marks** for support) Against the statement: Article mentions consumers working/staying at home and welcoming the service the firms provide. Theory: Large firms can also have economies of scale, can reduce prices, can encourage innovation and research. This is not mentioned in the article but is supported by economic theory. (**4 marks** for against the statement) Conclusion: statement is not therefore always true. (**1 mark**) **8 marks maximum**	**8**

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Section B

Question	Answer	Marks
EITHER		
2	**Negative externalities of production cause market failure.** **With the help of a diagram, assess the extent to which the introduction of indirect taxation is likely to address this cause of 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** • Market failure regarding this question would relate to allocative inefficiency. Market failure can be explained by defining allocative efficiency and linking this to the requirement to allocate resources to maximise consumer satisfaction. • This can be supported by a diagram illustrating a level of output where AR = MC which is consistent with an outcome that achieves allocative efficiency. • Negative externalities occur when the consumption/production of a good produces a cost to society which is greater than that incurred by an individual consumer/producer. This is sometimes described as a negative 'spill-over' effect. • One form of government intervention might be the introduction of indirect taxation. A clearly labelled, accurate diagram can be used to show the impact of an indirect taxation on the level of output and efficiency. • Analysis would use this to show the impact of an indirect tax on the PC curve. • Further analysis should then identify the links between the indirect tax and the behaviour of firms. This would link the creation of negative externalities to the benefits of removing them and then linking this to addressing this cause of market failure **N.B: L2 max if no or incorrect diagram provided.**	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • A government might introduce indirect taxation however it is difficult to determine the extent of the taxation necessary which will address the issue of market failure without causing other problems, for example, an increase in unemployment. • Also, the impact of indirect taxation in some circumstances takes a long time to become effective. • Some large firms might produce and sell products which have an inelastic demand therefore this would be unlikely to have a significant impact on output and efficiency. • The introduction of indirect taxation might be costly and unnecessarily bureaucratic, as well as being difficult to monitor and enforce. • It might be that government intervention based on the use of alternative more direct approaches such as the use of pollution permit might be more effective. • Indirect taxation is regressive and might unfairly penalise lower income groups. • A conclusion should consider alternatives, compare these with the use of indirect taxation and attempt to form some judgement regarding the effectiveness of this type of policy. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**Wages in a perfectly competitive labour market will always be higher than wages in a monopsony labour market.** **With the help of a diagram evaluate this statement.** 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 perfectly competitive labour market should be described. This should be supported by a relevant diagram. • An explanation of how monopsony markets work should be provided, emphasising the importance of how wages are determined in this type of market. • A diagram should be provided which shows a monopsony labour market and used to show how wages and level of employment are determined. • Analysis should refer to the factors which affect both the supply of and demand for labour in both these types of labour market. **Note: L2 max if no or incorrect diagram provided.**	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • Evaluation should then be used to link external factors which might affect final wage levels in both markets. For example, Trades Union or government intervention. In some cases, the intervention of Trades Union might lead to an increase in the productivity of the workforce through the provision of better training. This would support that wages would be higher in a perfectly competitive labour market. • Although a monopsony labour market model would predict lower wages due to buyer power on the part of monopsony firms, other factors will still determine the extent to which monopsony market wages will remain low. For example, the ease with which capital can be substituted for labour. • Also, the existing proportion of capital to labour in the particular industry will influence the extent to which wages might rise in either market. • Accusations of labour exploitation might lead to government intervention in a monopsony labour market. A minimum wage might be fixed that it is higher than wages gained in a perfectly competitive labour market. • Trades Unions might also intervene in monopsony markets and enable workers to gain higher wages through collective bargaining. • Higher wages might not be sustainable in the long run in perfectly competitive markets, due to increases in the supply of labour responding to the opportunity to gain higher wages. • A conclusion should attempt to address each element of the statement. The key word ‘always’ should be considered in the light of the question preceding argument. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**Central banks can control the money supply. An increase in the money supply will cause inflation, therefore central banks can control inflation.** **Evaluate this statement.** 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** • A definition of what is meant by inflation. • An explanation of what constitutes the key components of the money supply. This should primarily consist of commercial bank balances held at the central bank plus all bank deposits held in the commercial banks. • Examples of the instruments available to use by the central bank to control the money supply. Reference to and explanation of Open Market operations/Quantitative Easing, plus the use of changes in interest rates should be made and explained. • The potential link between changes in the money supply and/or changes in the rate of interest rate and inflation should be examined. • Analysis of the use of specific monetary policy instruments and their impact on reducing the money supply should be provided. For example, examining the links between the sale of long-term government securities and changes in the level of bank deposits. • Analysis of how changes in interest rates/money supply might impact upon the level of aggregate demand and inflation.	**20**

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Question	Answer	Marks
4	**AO3 Evaluation** • The money supply is very difficult to measure, thus there are many different definitions of what might constitute the money supply. • The link between changes in the money and changes in the price level is not altogether clear. • The link between changes in the rate of interest and changes in the money supply are not always clear. For example, an increase in the rate of interest might lead to an increase in savings. This would cause bank deposits and therefore, the money supply to rise. • The effectiveness of the use of monetary policy to control inflation will also depend upon the cause of inflation. For example, demand pull inflation might be controlled more effectively by the use of contractionary fiscal policy. • A conclusion should use the preceding discussion to decide the extent to which this type of monetary is likely to be used effectively to control inflation. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
5	**Some high-income countries have introduced high tariffs on some imports to reduce the negative effects of globalisation on their economies.** **With the help of a diagram, evaluate this 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** 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. • Key characteristics of high-income countries would include: high levels of productivity; high dependency ratios; high GDP per capita; significant dependence on international trade. • One of the main potential negative effects of globalisation on high-income economies might be caused by the import of goods produced at low cost by other countries. This might cause a rise in unemployment. • Analysis should be provided to show the impact of selective tariffs on imports into high-income countries. A clear, accurately labelled diagram should be provided to underpin this analysis. • Further analysis should be provided to illustrate the potential impact on different stakeholders of these tariffs. For example, an increase in tax revenue can be re-invested into the economy to promote long term economic growth. **N.B: L2 max if no or incorrect diagram provided.**	**20**

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Question	Answer	Marks
5	**AO3 Evaluation** • The imposition of tariffs may lead to retaliation by other countries, possibly leading to a trade war and misallocation of resources. • Restricting imports and subsequent trade diversion will reduce allocative and productive efficiently and lead to a net welfare loss. • Tariffs will lead to higher prices for both consumers and producers due to lack of international competition. • In some cases, higher tariffs will lead to higher costs which could lead to higher prices, falling demand and ultimately increase the level of unemployment. • Although tariffs might reduce the negative effects of globalisation, they might also remove some existing benefits of globalisation. For example, by reducing choice for consumers. • Protecting inefficient domestic firms by using tariffs is likely to have a negative effect on the economy in the long term. • A conclusion should attempt to use cost/benefit analysis and use the preceding analysis to examine the net effect of the introduction of selective tariffs by high-income countries on their economies. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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