CAMBRIDGE
INTERNATIONAL EXAMINATIONS

JUNE 2002

GCE Advanced Level

MARK SCHEME

MAXIMUM MARK : 70

SYLLABUS/COMPONENT :9708 /4

ECONOMICS
(DATA RESPONSE AND ESSAY (EXTENSION))

UNIVERSITY of CAMBRIDGE
Local Examinations Syndicate

General Comments:

The essay questions in section B carry a maximum mark of 25. Try not to 'bunch' marks, but use the whole mark range. If there is any doubt in your mind, give the benefit of doubt to the candidate.

The difference in grades should be assessed on the ability of the candidate to demonstrate the various objectives of the examination listed in the syllabus and not purely on the ability to itemise further facts from the content of the syllabus. Marks should be awarded for the ability to demonstrate that aim b) of the syllabus has been achieved as well as aim a) - which refers to content knowledge. It is the objective of the examination, as listed in the syllabus, to assess both these aims.

An overall guide for marks for individual questions is given below; these are from a total of 25. They may be applied proportionally of course to parts of questions where the total is less than 25:

Mark 1- 9 (Linked to level one in individual question notes).

1 -5 where the answer is mostly irrelevant and only contains a few valid points made incidentally in an irrelevant context.

6 - 9 where the answer shows some knowledge but does not indicate that the meaning of the question has been properly grasped. Basic errors of theory, or an inadequate development of analysis may be evident.

Mark 10-13 (Linked to level two in individual question notes).

10 -11 where there should be evidence of an ability to identify facts, some ability at graphs, fair ability to apply known laws to new situations.
Expect an accurate although undeveloped explanation of the facts relating to the question together with an explanation of the theory, and evidence of some ability to discriminate and form elementary judgements. But do not expect a clear logical presentation. There will not be much evidence of the ability to recognise unstated assumptions, nor to examine the implications of a hypothesis, nor of the ability to organize ideas into a new unity.

12 - 13 where the answer has a more thorough relevance to the question but where the theory is incompletely explained.

14 - 17 (Linked to level 3 in individual question notes).

14 –15 Expect a good knowledge of the facts and theory of the question, clear evidence of the ability to use the facts and theory with accurate reference to the question that may have presented the candidate with a novel application. There should also be evidence of the ability to examine the implications of the question and an attempt to distinguish between facts and value judgements. Clear statements, supported by reasoned arguments should be given and there should be some attempt at a conclusion to the question. There should clearly

be a reasonable structure to the whole answer. Do not expect too many extra illustrative points which are not explicitly referred to in the question, do not expect too much critical comment, and do not expect any recognition of, or comment on unstated assumptions

16 - 17 for an answer showing a well reasoned understanding of the question's requirements and of the relevant theory: the analysis should be sound though the illustration and development may not be very full.

18 - 25 (Linked to level 4 in individual question notes).

18 –20 Expect a thorough knowledge of the facts and theory with an excellent ability to describe and explain this in a precise, logical, reasoned manner. Expect an ability to query some of the assumptions in the question and clear evidence to distinguish between fact and value judgements and to draw some conclusions on the matter being discussed.
Conclusions should be formed and expressed within a sound structured answer so that the whole is well presented. New illustrations and examples apposite to the material discussed should be introduced as further evidence of the ability to recognise the principles of the question and their application to relevant current situations.

21 - 25 for an answer which, given the time constraint, could not be improved significantly: it will have clear analysis, ample illustration and a good attempt at considered evaluation.

Be positive in your marking awarding marks for what is there without being too much influenced by omissions. Marks should not be deleted for inaccuracies.

Corresponding maximum marks for sub-sections.

	1	2	3	4
Total Mark 10	3	5	7	10
Total Mark 12	4	6	8	12
Total Mark 13	4+	6+	8+	13
Total Mark 15	5	8	11	15

Comments on individual questions.

1a) Figures for inflation in the text range from 1% to 2.8% (99-00). The table is different. However, the text is for the year ending July, the table the average for the calendar year. The text also says inflation has been accelerating, the table does not really support this. It declined from the average between 93-97 in 98, and then only rose slightly in 99. The figure for 00 is a forecast. (3 marks)

There is some indication in the table that inflation accelerates although mainly this is in the forecast figures. Allow this interpretation.

b) There is weak currency, pressure from demand could lead to inflation, job creation in the public sector has made increased employment possible. (3)

c) i) Agriculture low, and still declining, industry declining and services increasing.

ii) Could comment on the decline in the importance of industry and the growth of services. Could compare this with developing countries where agriculture is higher, and the services are often not recorded because they are local, or unpaid. (6)

d) Definition of open economy. Advantages from text – exports led to growth, surplus on trading accounts, public finances healthy, elimination of budget deficit, increased tourism, as a result increased incomes and employment. Disadvantages – effect of increased oil and commodity prices, imported inflation. (6)

2. Candidates should form a structured answer which first debates whether demand is influenced by advertising or impulse buying. They should then describe how demand is determined according to economic theory and discuss whether their conclusions to the first part of the argument lead them to support the conclusion given in the assertion.

L4) For a thorough explanation of the terms, a clear analysis of the two parts to the argument, with a discussion of the conclusion of the assertion. 18 – 25

No reference to utility – max L3

L3) For a competent explanation which does not fully analyse the two parts and does not fully develop a discussion leading to a conclusion but makes some attempt at evaluation. 14 – 17

L2) For an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation. 10 – 13

L1) For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer contains irrelevancies and errors of theory. 1 – 9

3a) Explanation of advantages of increased size, economies of scale in terms of profits, funds for investment, returns to shareholders.

L4) For a reasoned and clear explanation with accurate development of theory. 9 – 12

No reference to retailing – max L3

L3) For a fair but undeveloped explanation. 7 – 8

L2) For a limited but acceptable attempt to consider the theory but with little reference to the particular changes mentioned in the question. 5 – 6

L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory. 1 – 4

b) The quote suggests that the growth in the company is not simply an amalgamation of small units with no effect on the area. Rather, it is the expansion of the existing trading practices in one area. They could then discuss the benefits of this in terms of employment, income generation, effect on development of area, growth of local economy and the costs in terms of changes in the environment, increased traffic growth, extra pollution, destruction of existing facilities.

L4) For a reasoned and clear evaluative comment 9 – 13
L3) For a fair but undeveloped comment & a conclusion drawn 7 – 8
L2) For a limited but acceptable attempt to consider the possible results of development 5 – 6
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 – 4

4a) Comment on differing importance of agriculture/industry/services. Comment on levels of training required, levels of income.

Level 4) For a sound explanation with good illustrations and a clear understanding of the principles involved 9 – 12
Level 3) For a competent explanation 7 – 8
Level 2) For a correct description but undeveloped comment with limited attempt to elaborate the description. 5 - 6
Level 1) For an answer that has some basic correct facts but includes irrelevancies and errors of theory 1 - 4

b). Discussion of changes in social factors, health, education, housing, incomes, environmental changes.

Can accept causes as well as consequence

L4) For a reasoned and clear evaluative comment 9 - 13
L3) For a fair but undeveloped comment 7 - 8
L2) For a limited but acceptable attempt to consider the possible results of development and a conclusion drawn 5 - 6
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 4

5. a) Explanation of theory either in terms of supply and demand or in terms of marginal revenue productivity.

L4) For a sound explanation of the analysis using marginal revenue productivity and a clear understanding of the principles involved . 8 - 10

L3) For a competent comment of marginal revenue with limited development or a sound explanation of demand and supply . 6 - 7

Max L3 for D/S only

L2) For a limited explanation and undeveloped comment 4 - 5

L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 3

b) Recognition of the fact that most markets are imperfect which, in theory, would affect the shape of the demand/supply curves. In practice candidates should also discuss institutional factors such as the role of government legislation and possible effect of demands for increased income by organised groups such as unions.

L4) For a reasoned and clear evaluative comment 12 - 15
L3) For a fair but undeveloped comment 9 - 11
L2) For a limited but acceptable attempt to consider the possible effects 6 - 8
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 5

6. a) Discussion of determinants of investment. (income, interest rates)

L4) For a sound explanation of the analysis and a clear understanding of the principles involved . 8 - 10
L3) For a competent comment with limited development 6 - 7
L2) For a undeveloped comment 4 - 5
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 3

b) Discussion of fiscal policy and methods by which fiscal policy might reduce demand. Consideration of the effectiveness of reducing demand by this method.

Could discuss alternatives to fiscal policy once fiscal policy has been dealt with.

L4) For a reasoned and clear evaluative comment 12 - 15
L3) For a fair but undeveloped comment 9 - 11
L2) For a limited but acceptable attempt to consider the possible effects 6 - 8
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 5

7a) Explanation of productive and allocative efficiency.

L4) For a sound explanation with good application and a clear understanding of the principles involved – diagrams will probably be used but are not required by the question 8 - 10
L3) For an accurate but less developed explanation 6 - 7
L2) For a correct explanation of one of the concepts but some errors in the other concept, not necessarily logically presented, or with some diagrammatic errors 4 -5
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 3

b) Allocative efficiency can be used to produce the best allocation of resources for the whole society, which includes consumers. Consumers needs have to be balanced against those of producers. Productive efficiency can result in optimum output but this does not mean that lower prices necessarily follow. Candidates could debate what is meant by 'consumers needs' - it may be an increased range of products and/or lower prices and/or better quality or improved services.

L4) For a reasoned and clear evaluative comment 12 - 15
L3) For a fair but undeveloped comment 9 - 11
L2) For a limited but acceptable attempt to consider the possible effects 6 - 8
L1) For an answer which has some basic correct facts but includes irrelevancies and errors of theory 1 - 5