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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2008 question paper

9708 ECONOMICS

9708/04 Paper 4 (Data Response and Essays – Supplement), maximum raw mark 70

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.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the May/June 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

Section A

1 (a) Comment on the number of jobs, income generation, spending and investment will rise. All increase national income. There will be an effect on the trade balance, either from income earned from exports, or from reduction in imported oil due to domestic use of home oil. This will also affect national income.
4 separate points are not required for 4 marks: 2 marks can be given for a point if it is developed and explained. [4]

(b) Evidence for expansion:
– the number of jobs – may be for exploration though
– the investment increases, technological advances continue
– possibly the government encouragement
– the fact that large profits are made
Evidence for decline:
– production levels falling – maybe though only from more accessible fields. Text unclear on this.
– Need extra measures to boost new firms.
Overall text uncertain. Look for conclusion. [6]

(c) – the most important thing is that prices are rising. This is not mentioned in the text. It has to be deduced from the diagram. 2 marks for recognising this.
– profits increasing – supported by view of chancellor increasing taxes
– small firms have advantage
– changes in government rules
– possibility of new oil fields. [4]

(d) against usual economic explanation
– not personal, niche market, local
– requires huge investment
– employs large no. of people

but for usual economic explanation
– small firms often do need government encouragement and support and special concessions so without that they may not survive.
– profits are large so firms are attracted to the industry.

Should be an overall conclusion even if it is stated that the conclusion is uncertain.
5 max without a conclusion. [6]

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Section B

General Comments for Section B:

The essay questions 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 1 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. There will also be substantial omissions of analysis.

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 2 in individual question notes).

10–11 where there is evidence of an ability to identify facts or some ability at graphs and/or a fair ability to apply known laws to new situations.
There should be 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. 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 organise 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.

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

14–15 where there is 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, where appropriate, 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 be a reasoned 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 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.

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

18–20 where there is a thorough knowledge of the facts and theory with an excellent ability to describe, explain or analyse this in a precise, logical, reasoned manner. There should be an ability to query some of the assumptions in the question and clear evidence of an ability 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 apposite examples should be introduced as further evidence of an 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 marks for sub-sections.

	1	**2**	**3**	**4**
Total Mark 10	1–3	4–5	6–7	8–10
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13
Total Mark 15	1–5	6–8	9–11	12–15

2 Candidates should recognise that economic theory does not always suggest that charges should always cover cost – depends which costs, and whether short or long run, and whether operating with the aim of profit maximising. Apart from this sometimes firms are deliberately subsidised and this is allowed in theory.
Candidates should then discuss the principles of allocative efficiency and debate whether economic theory indicates that to aim for such efficiency is the best solution.

L4) For an explanation of the terms in the statement, a clear discussion of the analysis of the different aspects of the theory and a clear discussion of the principles of allocative efficiency, with a reasoned conclusion. (18–25)

L3) For a competent explanation which does not fully analyse the terms or deal with all the issues. There will be some discussion but the evaluation will not be fully developed or extensive and the conclusion may be weak or missing. (14–17)

L2) For an undeveloped explanation of some of the terms with some attempt at discussion of the links between them but with very limited evaluation and no real conclusion. (10–13)

L1) For an answer which shows some knowledge but does not indicate that the question has been fully grasped. The answer will have some correct facts but include irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–9)

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3 **(a)** Candidates should give an explanation of the factors affecting supply. The wage rate, the non-wage benefits, the wages in alternative employment, the idea of income and substitution effects leading to a backward slope in the supply curve are all relevant. The union might have some influence on determining the wage rate, or possibly the non-wage benefits. Look for a conclusion as to whether the union is the main factor.

L4) For a sound explanation with clear understanding of the principles involved and a clear conclusion. (8–10)
L3) For a competent explanation but with limited development and no real conclusion. (6–7)
L2) For a general explanation of only some of the factors and no conclusion. (4–5)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–3)

(b) Candidates should explain the economic theory of wages and then introduce the union into the imperfect market. They should then discuss how the wage rate could be fixed between the union demands and the market rate depending on the bargaining strength of the two sides.

L4) For a reasoned discussion and clearly structured answer with sound knowledge of the analysis. (12–15)
L3) For a full discussion, but without such a full development – probably not mentioning the range of uncertainty of the final wage rate. (9–11)
L2) For a limited but acceptable attempt to describe the theory but without any real development of the issues. (6–8)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–5)

4 Candidates should develop the argument. They need to debate whether large firms are necessarily monopolistic or whether a market can be competitive even though it has large firms. They then need to debate, even if there is a tendency for large firms to become monopolistic, whether monopolistic practices are always detrimental. Finally they need to form a conclusion.

L4) For an explanation of the terms in the statement, a clear discussion of the analysis of the different aspects of the theory and a clear discussion of the issues involved, with a reasoned conclusion. (18–25)
L3) For a competent explanation which does not fully analyse the terms or deal with all the issues. There will be some discussion but the evaluation will not be fully developed or extensive. (14–17)
L2) For an accurate though undeveloped explanation of part of the statement but with weak attempt to discuss and consider it as an argument and limited evaluation and no real conclusion. (10–13)
L1) For an answer which shows some knowledge but does not indicate that the question has been fully grasped. The answer will have some correct facts but include irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–9)

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5 (a) Explanation of economic development in terms of an increase in GDP, GDP per capita or increase in national income, productive capacity, or in terms of HDI and standards of living. Reference may be made to the way in which this is achieved.

L4) For a sound explanation with clear understanding of the principles involved and a clear conclusion. (8–10)
L3) For a competent explanation but with limited development. The conclusion may be weak or missing. (6–7)
L2) For a general explanation of only some of the factors and no conclusion. (4–5)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–3)

(b) Candidates should discuss the relevance of each of the suggestions, the reliance on theory, the scientific advances and the market forces. They should conclude whether each is necessary.

L4) For a reasoned discussion and clearly structured answer mentioning all three suggestions together with a conclusion. (12–15)
L3) For a discussion, but without such a full development or probably not mentioning all three suggestions, and with weaker conclusion. (9–11)
L2) For a limited but acceptable attempt to discuss one or two of the suggestions without any conclusion. (6–8)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–5)

6 (a) Explanation of the link between a rise in taxation and national income. Direct tax increases would lead to a reduction in income and possibly to a fall in spending and national income. It might depend on whom the increase in tax is levied and whether it is progressive or regressive. Indirect tax increases may lead to a fall in spending but it depends on the elasticity of demand for the product or service. It also depends on whether expenditure is switched to other goods/services.

L4) For a sound explanation with clear understanding of the principles involved and a clear conclusion. (8–10)
L3) For a competent explanation but with limited development and no real conclusion. (6–7)
L2) For a more general explanation which presents quite a simplistic approach and has no conclusion. (4–5)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–3)

(b) Discussion of the importance of the link between national income and standards of living. Consideration of the income per head, the distribution of income and other factors some of which are measures by the HDI and some which are of a more social nature.

L4) For a structured discussion and clearly structured answer together with a reasoned conclusion. (12–15)
L3) For a discussion, but without such a full development and with weaker conclusion. (9–11)
L2) For a limited but acceptable attempt to discuss the relevance of national income with limited alternatives and without any conclusion. (6–8)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–5)

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7 (a) Explanation of the demand for money.

L4) For a sound explanation with clear understanding of the principles involved for the different types of demand. (8–10)
L3) For a competent explanation but with limited development. (6–7)
L2) For a more general explanation which presents quite a simplistic approach. (4–5)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–3)

(b) Increase in the money supply will lead interest rates to fall, fall in interest rates lead to rise in investment and borrowing, rise in investment will lead through the multiplier to a rise in national income.

L4) For a structured discussion of each of the steps, a clearly structured answer together with a reasoned conclusion. (12–15)
L3) For a discussion, but without such a clear analysis of the steps or development and with weaker or missing conclusion. (9–11)
L2) For a limited but acceptable attempt to discuss the links but in a much more general way and without any conclusion. (6–8)
L1) For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. (1–5)

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