CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/41**

Paper 4 A Level Data Response and Essay **May/June 2025**

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.

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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.)

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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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Annotations guidance for centres

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We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotation	Use
	Correct point
	Incorrect point
	Unclear response
	Key information missing from response
	Indicates knowledge and understanding of the concepts and issues relating to the question.
	Indicates where the answer has demonstrated analysis.
	Indicates appropriate reference to the information provided
	Expansion of point already made in response
	Indicates where the answer has demonstrated evaluation
	Indicates where the answer has demonstrated particularly strong/justified evaluation
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
	Used when the benefit of the doubt is given in order to reward a response.
	Used when the answer or parts of the answer do not answer the question asked.
	Indicates that the page or content has been seen by examiner, but no credit given.

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Annotation	Use
TV	Used when parts of the answer are considered to be too vague to be given credit.

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 Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**The article refers to structural unemployment. Explain what this means and whether it is the same as the natural rate of unemployment.** Structural unemployment occurs when the skills of the labour force are not equal to the jobs available. There are individuals seeking a job, but are not able to find one because they don't have the skills required or the number of jobs opened in an economy is lower than the number of people looking for a job. (2) Natural rate of unemployment includes structural and frictional so they are not the same. (1)	**3**
1(b)	**To keep unemployment low, one government used fiscal policy. Analyse how this policy can affect unemployment rates.** Explanation of meaning of fiscal policy (Government spending and Taxation). (2). Up to 4 marks for a correct diagram explained. Comment on how it could affect output and unemployment – up to 2 for comment on each example. Fully developed point up to 4 marks.	**6**
1(c)	**Explain how the policies of high-income economies towards 'green energy' changed between 2015 and 2022.** Initially at the Paris Agreement willing to increase green energy outputs (1) or reduce the uses of fossil fuels in energy production. (1) By 2022 want more emphasis on economic growth (1) or helped by a continuation of energy production using fossils fuels. (1) Promise of funds from 'rich' to 'poor' countries did not materialise (1) or poor countries less effective in reducing CO2 emissions.(1)	**3**

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Question	Answer	Marks
1(d)	**Assess whether the article provides sufficient evidence to justify its conclusion that the intervention of governments has little effect on economic outcomes.** Evidence. – War in Ukraine disrupted supplies, but the Russian government was responsible for the war and they stopped the flow of natural gas. So, some evidence against the conclusion that governments have little effect on outcomes. • banks raised interest rates to stop rise in inflation.(1) Some evidence against the conclusion. (1) • governments decided to concentrate on growth and did not direct finances to encourage 'green energy'. (1) This is some evidence against the conclusion as this did affect the economic outcome. (1) • article mentions billions of private transactions. (1) Not clear whether this supports or contradicts the conclusion. (1) • Article does not give evidence that supply-side policies were the reason for low unemployment in Germany. (1) Some evidence supports the conclusion. (1) • evidence about link between unemployment and fiscal policy does support the conclusion. (1) • No clear conclusion (1) **Up to 2 marks for explanation of any of above points, maximum 7** **Reserve a mark for conclusion.**	**8**

Question	Answer	Marks
EITHER		
2	**With the help of a diagram, evaluate the use of indifference curve analysis to explain the relationship between a change in the price of a product and the change in an individual consumer's demand for this product.** 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 • An explanation of what is meant by an indifference curve and an indifference curve map. • Explanation of a budget line and understanding of how a change in price or how a change in real income will affect a budget line • Demonstration of an understanding of consumer equilibrium. • Use of a diagram to analyse the links between indifference curves, budget lines and consumer equilibrium. • Analysis of how a change in price might affect consumer equilibrium. This can be supported by a clear, accurately labelled diagram. • Analysis of each element of the price effect on individual consumer demand. Both substitution effects and real income effects should be considered to attain Level 3 **No diagram-highest mark is L2 – 8** AO3 Evaluation • Recognise that the key assumptions regarding human behaviour will determine the shape of the indifference curve. For example, it is assumed that all consumers attempt to maximise satisfaction. • Although the analysis only considers 'bundles' of two good consumed, it still assumes the consumer can correctly distinguish between different levels of satisfaction between different 'bundles'. • The analysis only considers a choice between two goods. Consumers have the opportunity to consider alternative prices of a wide range of goods before choosing what to purchase. • Other factors such as advertising might change consumer taste, which in turn, will change the shape of the indifference curve and, ultimately the final impact of a price change on consumer demand. • A conclusion should be attempted which examines the effectiveness of the use of indifference curve analysis to predict the impact of a price change on individual consumer demand. Accept all valid responses	**20**

Question	Answer	Marks
2	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Question	Answer	Marks
OR		
3	**The growth of a firm using a takeover is desirable because it enables consumers to benefit from lower prices and the firm to gain additional profits.** **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** • Recognition that a takeover can be classified as a factor determining the external growth of a firm • Differentiates between a takeover, which occurs when one firm buys another firm and a merger which takes place when two firms unite to form one new company • Takeovers can relate to different stages of production. For example, horizontal, vertical integration. • Analysis should refer to the benefits associate with gaining economies of scale via horizontal integration. For example, lower costs and lower prices for the consumer • Analysis could also be used by referring to backward/forward vertical integration which might lead to further cost savings which can be passed on to the consumer. • Firms might also increase profits by increasing their market share and increasing their total revenue	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • The cost benefits of economies of scale might not be passed on to the consumer through lower prices • An increase in market share might increase monopoly power and allow the firm to control output and charge higher prices to the consumer. • Some takeovers can be very costly in the long run and this may decrease profits in the long run. • A takeover will create a much larger organization which may have to deal with unexpected communication problems which increase costs and reduce profits • Some takeovers might lead to intervention by the competition authorities which might result in price regulation • Culture clashes may arise within firms involved which may lead to diseconomies of scale and rising consumer prices • A conclusion should attempt to address each element of the statement. The key words 'low consumer prices and 'increased profits' should be considered in the light of the preceding argument. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Section C Macroeconomics essay

Question	Answer	Marks
EITHER		
4	**A country is experiencing stagflation, when there is a high rate of inflation at the same time as a negative output gap.** **With the help of a diagram, evaluate the effectiveness of using fiscal policy to solve this 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** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A clear definition of inflation and why inflation might cause problems. • A detailed explanation of what is meant by a 'negative output gap'. • An accurate, clearly labelled aggregate supply and aggregate demand diagram to identify a 'negative output gap'. • An explanation of what is meant by fiscal policy and how it is used to control inflation or close an output gap. • Analysis might use a diagram to indicate how fiscal policy might be used to close a negative output gap. • Analysis might use a diagram to indicate how fiscal policy might be used to reduce the level of inflation. • Analysis using aggregate demand and aggregate supply curves could be used to show why it is possible to have high inflation and a negative output gap at the same time. Accept Keynesian Cross diagram **Maximum 8 marks if no relevant diagram**	**20**

Question	Answer	Marks
4	**AO3 Evaluation** • The use of fiscal policy to reduce aggregate demand might help to reduce the level of inflation, it will simultaneously increase the negative output gap and vice versa. • An alternative approach to fiscal might be the use of supply side measures which would increase aggregate supply, reduce the rate of inflation and help to close the negative output gap in the long run. • Long run supply-side policies are likely to focus on attempts to increase productivity. This frequently involves significant investment in new technology which might lead to a rise in unemployment in the short run. • Fiscal policy may be inappropriate or ineffective unless paired with supply-side reforms. More suitable policies might include reducing regulation, cutting production costs, or encouraging productivity. • May lead to crowding out A conclusion should attempt to assess the relative effectiveness of each type of policy approach and consider which approach is likely to be the most effective in the short run and then compare this with possible outcomes that might be achieved in the long run.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Question	Answer	Marks
OR		
5	**A free trade area gains all the benefits associated with joining a customs union while avoiding all the costs associated with being a member of a customs union.** **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 free trade area should be defined and the emphasis be upon the removal of tariffs/quotas on products from one country entering another • Key characteristics of a customs union should be identified which include recognizing abolishing tariffs between member nations while adopting a common external tariff on non-member countries. • Analysis might recognize that a country in a free trade area can achieve faster economic growth through specialization and a global market • The absence of import tariffs will reduce costs to firms operating in free trade areas, will increase incomes, economic competition and potentially an increase in labour productivity. • Analysis of a customs union should identify a key difference in relation to the use of common external tariffs. Therefore, although members of a customs union might achieve similar benefits to members of a free trade area. Members of a custom union share protection from competitors outside the union while benefiting from access to a large single market. • Analysis might also be used to show how members within the customs union might gain from the benefits of trade creation when internal tariffs are removed.	**20**

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Question	Answer	Marks
5	**AO3 Evaluation** • One cost of associated with membership of a customs union might be the loss of economic and political sovereignty. • Although there will be trade creation for a new member of a customs union it is likely that trade diversion will take place when a new member has to adopt a common external tariff. This would lead to a misallocation of the world's resources. • Higher economic growth can take place because of a closely integrated customs union -benefits from comparative advantage. • It could however be argued that a closely integrated customs union will encourage greater political stability and integration. • It has also been argued that due to the combined large market size of a customs union, there may be a further stimulus to inward foreign investment. • Customs unions frequently use non-tariff barriers which can have a negative impact on both trade within a customs union and between a customs union and the rest of the world. • A conclusion should attempt to form an overall judgement regarding the extent to which a free trade area can avoid the costs of membership of a customs union while achieving the same benefits. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Annotations

Annotation	Use
	Correct point
	Incorrect point
	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, **Table A**
L2	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, **Table A**
L3	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, **Table A**
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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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

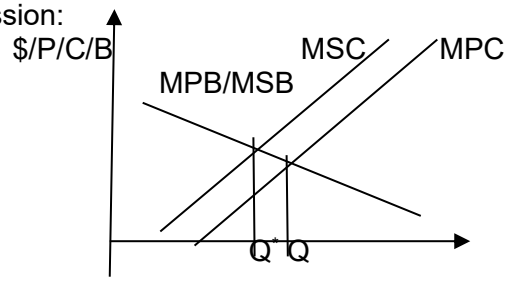
Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**, **3**, **4** and **5**.

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**

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Define economic sustainability and give <u>one</u> example from the information of a change that can be used to illustrate it.** Definition **1** Economic sustainability is current economic activity which does not compromise the ability of future generations to meet their needs. Illustration **1** Use of alternative sources of fuel to coal to save damage to the environment.	**2**
1(b)	**Use the information to comment on the possible effects on the economies of the countries that refused to sign the carbon policy agreement.** Those countries are some of the top producers of coal. (1) **Advantages:** Cheapness as a power source **1** enabling them to increase/maintaining GDP/Economic Growth **1**. Reliable source of power**1** enabling continuity of production **1**. Coal supplies can be stored and managed **1** to meet demand for electricity **1**. **Disadvantages:** Coal is a finite resource **1** and therefore there are future costs of switching **1**. Continuation of the output of negative externalities **1** e.g. carbon dioxide/greenhouse/toxic gases/lower air quality **1**. **4 max**	**4**
1(c)	**Discuss why the article says that 'China is a country of contradictions'.** China undermines aim of World Climate Summit because of its policy of using mainly coal (70 %) and other fossil fuels to produce electricity.**1** This accounts for large scale emissions of pollutants (31 % of world total). **1.** Use of coal projected to increase to record level in 2022 (**1**) **2 max** China has stated that it will not sacrifice economic growth, which has been relatively high at 8.3 %, in order to reduce reliance on coal. (**1**) By contrast, China is investing in 'green' technologies – solar, wind, hydro-electric, **1** and is a leading user of electric cars and a leading manufacturer of wind turbines (exports). **1** **2 max** Refuses to sign agreement **1**	**4**

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Question	Answer	Marks
1(d)	**With the help of a marginal social cost and benefit diagram discuss whether the continued use of coal to produce electricity makes the achievement of allocative efficiency less likely.** Definitions of: private cost **1**, external cost/social cost, **1** allocative efficiency **1.** External costs of coal/'dirty fuel'/greenhouse gases/pollution **1** 3 countries produce 52 % of global CO_2 emissions from coal use **1** Discussion:  Output/Quantity Coal production/burning has negative externalities which mean MSC is greater than MPC. **1** **Conclusion:** This means the allocative efficient output is Q* not Q**/**allocative efficiency is not achieved **1.** Correct axes with correct drawing and labels of MPB/MSB and MSC, MPC **1** Indication of Externality/Welfare loss **1** Correct identification of Q^* and Q **1**	**10**

Question	Answer	Marks
EITHER		
2	**Monopolies restrict output to raise prices and exploit consumers.** **With the help of a diagram, assess the extent to which a government should intervene in monopoly markets.** 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** • The key characteristics of a monopoly market structure should be identified. • The aim of profit maximization should be explained and an accurately labelled supporting diagram should be provided to illustrate this situation. • Analysis should be provided, based on a diagram, which shows the links between low output, high prices and allocative inefficiency. • Alternative government policies to reduce the power of monopolies should be explained. • Diagram(s) may be provided to illustrate monopoly equilibrium and/or the policy suggested. • Analysis of how alternative types of government intervention can be used to address some of the negative outcomes associated with monopoly firms. **No monopoly diagram Max L2 8 marks.** **AO3 Evaluation** Accept all valid responses. • A government can use taxation to reduce monopoly profits and control market power. However, this might reduce the incentive to invest by monopoly firms and lead to X inefficiency • Maximum pricing might be introduced to control high prices but this might lead to shortages and/or the operation of underground markets. • Some types of product/service can be described as natural monopolies, therefore any attempt to introduce more competition is simply likely to lead to more inefficient outcomes. • Direct government intervention by regulation/legislation might reduce a monopoly market share but this would also make it more difficult for a monopoly to benefit from economies of scale. Hence, costs and prices might subsequently rise.	**20**

Question	Answer	Marks
2	• A conclusion should attempt to examine alternative types of government intervention to try and establish the extent to which governments should intervene in monopoly markets. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**With the help of a diagram, assess whether the impact of an increase in labour productivity on the wages and employment of a firm is likely to be greater in a perfectly competitive labour market than in an imperfectly competitive labour market.** 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. • An explanation should be provided of what is meant by an increase in labour productivity. • A diagram and analysis should be provided which shows how wages are determined in a perfectly competitive labour market and how this impacts upon the wage and level of employment within each firm. • Analysis should examine the potential impact of an increase in labour productivity on wages and employment in a perfectly competitive labour market. • Comparative analysis to examine the effect of an increase in productivity on wages and employment in an imperfect market. • An analysis of a monopsonistic labour market to show equilibrium for the imperfect labour market. **No analysis of Increase in Productivity max L2 Max 10 marks.** **Analysis of perfect or imperfect labour market only Max L2 8 marks.** **No diagram Max L2 8 marks.**	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • The model of perfect competition is based upon many assumptions such as; perfect mobility of labour, homogenous labour and perfect knowledge. It is unlikely that we can apply this to the real world. • Labour productivity is sometimes very difficult to measure accurately, for example, the productivity of workers in service sectors such as health and education • An increase in the productivity of the workforce through the provision of better training might increase wages and output in a perfect labour market but the cost of providing this training and the subsequent skill differentiation would challenge the basic assumptions of a perfect competitive market. • An increase in productivity might also be produced by substituting capital for labour which might lead to an increase in unemployment. • The impact of higher wages on employment will also depend upon how easy it is to substitute capital for labour and the existing proportion of capital to labour in the particular industry. • In an imperfect market, although it is likely that some benefits of an increase in labour productivity might be passed on through higher wages, it is also likely that the costs incurred in increasing productivity in this type of market will be deducted from any benefits. Therefore, any increase in wage/job opportunities, is likely to be limited. • A conclusion, based on the preceding analysis should discuss the relative impact of an increase in labour productivity in both types of market and consider which is likely to be the greatest, with reference to both wages and the level of employment. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**With the help of an injections and withdrawals graph, assess the impact of a decrease in interest rates on the level of employment in an economy.** 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** • An explanation of what is meant by injections, withdrawals and level of employment/unemployment. • A description of the circular flow of income between sectors of the economy. • An analysis of how the circular flow operates supported by an accurately labelled injections/withdrawals graph. • An explanation of how changes in interest rates will have an impact on employment • Analysis, based on a J/W graph can then be used to show how a decrease in interest rates will affect employment. For example, through different components of aggregate demand. • A J/W graph might be used to explain the concept of a full employment equilibrium by identifying the links between changes in expenditure, income, output and employment. Credit multiplier/accelerator analysis if offered. **No J/W graph Max L2, 8 marks.** **General monetary policy response Max L2, 8 marks** **No credit for alternative policies eg supply side/fiscal policy**	**20**

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Question	Answer	Marks
4	**AO3 Evaluation** • A decrease in interest rates might lead to an increase aggregate monetary demand but this might cause inflation if the economy is already operating at high levels of employment • A decrease in interest rates might also lead to a depreciation in the value of the currency, increasing the cost of imports and potentially lead to cost push inflationary pressures. • Lower interest rates plus an increase in borrowing might lead to house price inflation with subsequent long term negative effects on the economy. • The impact of lower interest rates on employment will be determined to some extent by the cause of unemployment. For example, this policy is likely to be less effective when addressing the problem of structural unemployment • A reduction in interest rates would be expected to decrease savings and increase consumption expenditure but the final impact on employment will be determined by both the marginal propensity to save and the marginal propensity to consumer and ultimately the multiplier effects of the initial change in injection. • Time lags for policy to have an impact. • Size of multiplier and/or accelerator effects Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
5	**Globalisation will have an equally beneficial effect on the standard of living in both high-income and low-income countries** **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** • Definition: globalisation promotes free trade, free movement of capital and labour and technology transfer. • Key characteristics of high-income/low-income countries. • High living standards are generally associated with high GDP per capita; advanced infrastructure; good housing, education and health; and low infant mortality rates. • An improvement in living standards is very closely linked with an improvement in economic performance. An improvement in economic performance is measured by increases in GDP per capita. • Analysis of the globalisation process through trade, technology transfer, FDI, comparative advantage, remittances should provide opportunities to create more real income and investment for both high-income and low-income countries. **If only one level of income considered L2 MAX 10**	**20**

Question	Answer	Marks
5	**AO3 Evaluation** • The links between globalisation and changes in living standards are not clear. • Difficult to measure the standard of living. • Globalisation increases long distance transport which creates more negative externalities. But it is difficult to determine whether negative externalities have a disproportionate effect on the standard of living of low/high income countries. • It is not clear how the benefits of globalisation would be used by each type of economy. Some low-income countries might not use any gains to stimulate long term growth. For example, a failure to invest in infrastructure. This would not improve living standards in the long run. • Globalisation might lead to an increase in cheap imports from low-income economies which might lead to higher levels of unemployment in high-income economies and therefore reduce the standard of living. • A conclusion might attempt to form an overall judgement on the distribution of benefits to low/high income countries. Also, a judgement on whether globalisation will improve living standards in either type of economy in both the short term and long-term. Accept all valid responses.	
4	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

Paper 4 A Level Data Response and Essay **May/June 2025**

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.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotation	Use
	Correct point
	Incorrect point
	Unclear response
	Key information missing from response
	Indicates knowledge and understanding of the concepts and issues relating to the question.
	Indicates where the answer has demonstrated analysis.
	Indicates appropriate reference to the information provided
	Expansion of point already made in response
	Indicates where the answer has demonstrated evaluation
	Indicates where the answer has demonstrated particularly strong/justified evaluation
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
	Used when the benefit of the doubt is given in order to reward a response.
	Used when the answer or parts of the answer do not answer the question asked.
	Indicates that the page or content has been seen by examiner, but no credit given.

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Annotation	Use
TV	Used when parts of the answer are considered to be too vague to be given credit.

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 Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**The article refers to structural unemployment. Explain what this means and whether it is the same as the natural rate of unemployment.** Structural unemployment occurs when the skills of the labour force are not equal to the jobs available. There are individuals seeking a job, but are not able to find one because they don't have the skills required or the number of jobs opened in an economy is lower than the number of people looking for a job. (2) Natural rate of unemployment includes structural and frictional so they are not the same. (1)	**3**
1(b)	**To keep unemployment low, one government used fiscal policy. Analyse how this policy can affect unemployment rates.** Explanation of meaning of fiscal policy (Government spending and Taxation). (2). Up to 4 marks for a correct diagram explained. Comment on how it could affect output and unemployment – up to 2 for comment on each example. Fully developed point up to 4 marks.	**6**
1(c)	**Explain how the policies of high-income economies towards 'green energy' changed between 2015 and 2022.** Initially at the Paris Agreement willing to increase green energy outputs (1) or reduce the uses of fossil fuels in energy production. (1) By 2022 want more emphasis on economic growth (1) or helped by a continuation of energy production using fossils fuels. (1) Promise of funds from 'rich' to 'poor' countries did not materialise (1) or poor countries less effective in reducing CO2 emissions.(1)	**3**

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Question	Answer	Marks
1(d)	**Assess whether the article provides sufficient evidence to justify its conclusion that the intervention of governments has little effect on economic outcomes.** Evidence. – War in Ukraine disrupted supplies, but the Russian government was responsible for the war and they stopped the flow of natural gas. So, some evidence against the conclusion that governments have little effect on outcomes. • banks raised interest rates to stop rise in inflation.(1) Some evidence against the conclusion. (1) • governments decided to concentrate on growth and did not direct finances to encourage 'green energy'. (1) This is some evidence against the conclusion as this did affect the economic outcome. (1) • article mentions billions of private transactions. (1) Not clear whether this supports or contradicts the conclusion. (1) • Article does not give evidence that supply-side policies were the reason for low unemployment in Germany. (1) Some evidence supports the conclusion. (1) • evidence about link between unemployment and fiscal policy does support the conclusion. (1) • No clear conclusion (1) **Up to 2 marks for explanation of any of above points, maximum 7** **Reserve a mark for conclusion.**	**8**

Question	Answer	Marks
EITHER		
2	**With the help of a diagram, evaluate the use of indifference curve analysis to explain the relationship between a change in the price of a product and the change in an individual consumer's demand for this product.** 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 • An explanation of what is meant by an indifference curve and an indifference curve map. • Explanation of a budget line and understanding of how a change in price or how a change in real income will affect a budget line • Demonstration of an understanding of consumer equilibrium. • Use of a diagram to analyse the links between indifference curves, budget lines and consumer equilibrium. • Analysis of how a change in price might affect consumer equilibrium. This can be supported by a clear, accurately labelled diagram. • Analysis of each element of the price effect on individual consumer demand. Both substitution effects and real income effects should be considered to attain Level 3 **No diagram-highest mark is L2 – 8** AO3 Evaluation • Recognise that the key assumptions regarding human behaviour will determine the shape of the indifference curve. For example, it is assumed that all consumers attempt to maximise satisfaction. • Although the analysis only considers 'bundles' of two good consumed, it still assumes the consumer can correctly distinguish between different levels of satisfaction between different 'bundles'. • The analysis only considers a choice between two goods. Consumers have the opportunity to consider alternative prices of a wide range of goods before choosing what to purchase. • Other factors such as advertising might change consumer taste, which in turn, will change the shape of the indifference curve and, ultimately the final impact of a price change on consumer demand. • A conclusion should be attempted which examines the effectiveness of the use of indifference curve analysis to predict the impact of a price change on individual consumer demand. Accept all valid responses	**20**

Question	Answer	Marks
2	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Question	Answer	Marks
OR		
3	**The growth of a firm using a takeover is desirable because it enables consumers to benefit from lower prices and the firm to gain additional profits.** **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** • Recognition that a takeover can be classified as a factor determining the external growth of a firm • Differentiates between a takeover, which occurs when one firm buys another firm and a merger which takes place when two firms unite to form one new company • Takeovers can relate to different stages of production. For example, horizontal, vertical integration. • Analysis should refer to the benefits associate with gaining economies of scale via horizontal integration. For example, lower costs and lower prices for the consumer • Analysis could also be used by referring to backward/forward vertical integration which might lead to further cost savings which can be passed on to the consumer. • Firms might also increase profits by increasing their market share and increasing their total revenue	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • The cost benefits of economies of scale might not be passed on to the consumer through lower prices • An increase in market share might increase monopoly power and allow the firm to control output and charge higher prices to the consumer. • Some takeovers can be very costly in the long run and this may decrease profits in the long run. • A takeover will create a much larger organization which may have to deal with unexpected communication problems which increase costs and reduce profits • Some takeovers might lead to intervention by the competition authorities which might result in price regulation • Culture clashes may arise within firms involved which may lead to diseconomies of scale and rising consumer prices • A conclusion should attempt to address each element of the statement. The key words 'low consumer prices and 'increased profits' should be considered in the light of the preceding argument. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Section C Macroeconomics essay

Question	Answer	Marks
EITHER		
4	**A country is experiencing stagflation, when there is a high rate of inflation at the same time as a negative output gap.** **With the help of a diagram, evaluate the effectiveness of using fiscal policy to solve this 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** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A clear definition of inflation and why inflation might cause problems. • A detailed explanation of what is meant by a 'negative output gap'. • An accurate, clearly labelled aggregate supply and aggregate demand diagram to identify a 'negative output gap'. • An explanation of what is meant by fiscal policy and how it is used to control inflation or close an output gap. • Analysis might use a diagram to indicate how fiscal policy might be used to close a negative output gap. • Analysis might use a diagram to indicate how fiscal policy might be used to reduce the level of inflation. • Analysis using aggregate demand and aggregate supply curves could be used to show why it is possible to have high inflation and a negative output gap at the same time. Accept Keynesian Cross diagram **Maximum 8 marks if no relevant diagram**	**20**

Question	Answer	Marks
4	**AO3 Evaluation** • The use of fiscal policy to reduce aggregate demand might help to reduce the level of inflation, it will simultaneously increase the negative output gap and vice versa. • An alternative approach to fiscal might be the use of supply side measures which would increase aggregate supply, reduce the rate of inflation and help to close the negative output gap in the long run. • Long run supply-side policies are likely to focus on attempts to increase productivity. This frequently involves significant investment in new technology which might lead to a rise in unemployment in the short run. • Fiscal policy may be inappropriate or ineffective unless paired with supply-side reforms. More suitable policies might include reducing regulation, cutting production costs, or encouraging productivity. • May lead to crowding out A conclusion should attempt to assess the relative effectiveness of each type of policy approach and consider which approach is likely to be the most effective in the short run and then compare this with possible outcomes that might be achieved in the long run.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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Question	Answer	Marks
OR		
5	**A free trade area gains all the benefits associated with joining a customs union while avoiding all the costs associated with being a member of a customs union.** **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 free trade area should be defined and the emphasis be upon the removal of tariffs/quotas on products from one country entering another • Key characteristics of a customs union should be identified which include recognizing abolishing tariffs between member nations while adopting a common external tariff on non-member countries. • Analysis might recognize that a country in a free trade area can achieve faster economic growth through specialization and a global market • The absence of import tariffs will reduce costs to firms operating in free trade areas, will increase incomes, economic competition and potentially an increase in labour productivity. • Analysis of a customs union should identify a key difference in relation to the use of common external tariffs. Therefore, although members of a customs union might achieve similar benefits to members of a free trade area. Members of a custom union share protection from competitors outside the union while benefiting from access to a large single market. • Analysis might also be used to show how members within the customs union might gain from the benefits of trade creation when internal tariffs are removed.	**20**

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Question	Answer	Marks
5	**AO3 Evaluation** • One cost of associated with membership of a customs union might be the loss of economic and political sovereignty. • Although there will be trade creation for a new member of a customs union it is likely that trade diversion will take place when a new member has to adopt a common external tariff. This would lead to a misallocation of the world's resources. • Higher economic growth can take place because of a closely integrated customs union -benefits from comparative advantage. • It could however be argued that a closely integrated customs union will encourage greater political stability and integration. • It has also been argued that due to the combined large market size of a customs union, there may be a further stimulus to inward foreign investment. • Customs unions frequently use non-tariff barriers which can have a negative impact on both trade within a customs union and between a customs union and the rest of the world. • A conclusion should attempt to form an overall judgement regarding the extent to which a free trade area can avoid the costs of membership of a customs union while achieving the same benefits. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/44**

Paper 4 A Level Data Response and Essay **May/June 2025**

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.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotation	Use
	Correct point
	Incorrect point
	Unclear response
	Key information missing from response
	Indicates knowledge and understanding of the concepts and issues relating to the question.
	Indicates where the answer has demonstrated analysis.
	Indicates appropriate reference to the information provided
	Expansion of point already made in response
	Indicates where the answer has demonstrated evaluation
	Indicates where the answer has demonstrated particularly strong/justified evaluation
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
	Used when the benefit of the doubt is given in order to reward a response.
	Used when the answer or parts of the answer do not answer the question asked.
	Indicates that the page or content has been seen by examiner, but no credit given.

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Annotation	Use
TV	Used when parts of the answer are considered to be too vague to be given credit.

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**

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Identify what is included in the HDI.** Health/Life Expectancy **1** Education/Years of Schooling **1** Income/Gross National Income pc/GNI **1**	**3**
1(b)	**The passage states that the RMG industry 'uses significant division of labour' takes place. Explain how this is likely to affect the average costs of firms in Bangladesh's RMG industry.** Division of labour increasing labour productivity/Increased efficiency **(1)** Definition of division of labour e.g. cutting, sewing zips, **(1),** and hence reduces average total costs **(1)**.	**3**
1(c)	**Identify the probable market structure of the RMG industry in Bangladesh and with the help of a diagram, consider the likely effect on the level of long-run profits of firms in this industry.** Identification of Monopolistic Competition **1** Diagram **3** marks: Labels and axes **1** Identification of MC=MR for profit maximisation **1** Average cost and revenue/marginal costs and revenue curves **1** Explanation of why Normal Profits **1** in long run equilibrium **1** If correct analysis but market mis-identified as monopolistically up to **5**	**6**

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Question	Answer	Marks
1(d)	**With reference to the article, assess whether there is enough evidence to conclude that living standards in Bangladesh have improved since 1971.** Distinction between standard of living: monetary e.g. income and non-monetary e.g. health, education, water quality **1.** **Improvements** Rise in GNI from 2342 US$ to 5823 US$ = 2481 **1** US$ / 143 % increase **1** HDI rose 0.49 to 0.66 **1** Agricultural production/productivity. increased **1,** Balance of Trade improved **1** Net exports increased **1,** wider range of goods and services imported **1** **Maximum 3 marks** **Disadvantages** Development of negative externalities **1** air/water pollution **1** use of child labour **1** bad working conditions **1** Loss of agricultural jobs **1** Poorly constructed factories **1** **Maximum 3 marks** **Conclusion** Not enough evidence in the article **1** No information on housing/education or health **1**	**8**

Question	Answer	Marks
EITHER		
2	**With the help of a diagram, consider whether economic efficiency can be achieved without government intervention in a market economy** 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 demonstration of productive efficiency in terms of minimum AC and allocative efficiency MC=MR. • Candidates may approach the question from a number of points of view • Comparison of equilibrium in Perfect Competition with reference to definitions of efficiency. • Negative externalities (e.g. the effects of environmental pollution) causing the social cost of production to exceed the private cost **or** positive externalities (e.g. the provision of education and health care) causing the social benefit of consumption to exceed the private benefit • Imperfect information or information failure means that merit goods are under-produced while demerit goods are over-produced **or** over-consumed. • The lack of supply of pure public goods and quasi-public goods issue that are needed to meet people's needs and wants. • Market dominance by monopolies can lead to under-production and higher prices than would exist under conditions of competition and the effect on price and quantity produced and consumer welfare. • Factor immobility causes unemployment and a loss of productive efficiency. • Equity (fairness) issues. Markets can generate an 'unacceptable' distribution of income and consequent social exclusion which the government may choose to change. • A choice of government policy to address a market failure from: • specific and ad valorem indirect taxes, subsidies, price controls, production quotas, prohibitions and licences, regulation and deregulation, direct provision, pollution permits property rights, nationalisation and privatization, provision of information or behavioural insights and ‘nudge’ theory. **No Diagram Max L2 8**	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • Opportunity costs of the policy that has been chosen, what are the alternative uses of the resources and how does it affect efficiency. • Can the government accurately measure the extent of the market failure. • Unintended consequences on, regulator capture, cost of bureaucracy, political interference. • Evaluation may be based on an example cited by candidates. • Implications for the government budget increase in tax revenues/costs of subsidies. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**Evaluate whether the marginal revenue product theory (MRP) always explains the differences in wages.** 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 the MRP theory in terms of marginal physical product (MPP) and price equaling MRP which is the demand element in the demand and supply of labour. • Explanations of what may affect the MPP. • The effect of market structure on MRP. • Explanations of factors affecting the supply of labour, for example population size, age structure, fertility, working conditions, education/experience migration etc. • The combination of demand and supply factors to produce a wage rate. **AO3 Evaluation** • The theory is usually applied in a world of perfect competition which does not hold in real life. • How do employers know MRP when labour is often collaborative. • How to measure productivity e.g. health services/education? • Trade union intervention in labour markets. • Lack of market price for product e.g. health care outcomes • Government intervention in labour markets e.g. minimum wage, staffing ratios (in childcare). • Discussion of factors which account for differences which could include discrimination, market segmentation, capital equipment, monopsony. Accept all valid responses	**20**
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**A country with an open economy has falling demand for exports.** **Consider the view that monetary policy alone will solve this 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** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A definition of an open economy in terms of its foreign trade sector in the aggregate demand equation. • The effects of the falling exports on the level of aggregate demand. • The candidate should show the intended effect of monetary policy on the demand for exports – A choice is made of reducing the exchange rate to boost exports through increasing external demand and the effect of this on aggregate demand. • Governments can directly devalue the exchange rate. • Government can indirectly reduce the exchange rate by increasing the money supply/decreasing interest rates. **AO3 Evaluation** • The elasticity of demand for exports and the short-run, long run implications. • An explanation of whether the aims can be achieved in the short run or long run. • Governments might use supply-side policies e.g. subsidies. • Comments on other aims of the government which may be affected and how they may be affected by the policy/policies suggested. • The government impact through directly reducing the rate of interest and the effects of this through the monetary transmission mechanism can be traced. • Comments on the negative impact on other government aims e.g. Inflation. Accept all valid responses	**20**
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
5	**Evaluate how a country might increase its potential 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 what is meant by potential economic growth (PEG): LRAS/AD analysis or production possibility curves may be used to illustrate the PEG. • Identification of government LRAS macroeconomic policies. • Supply-side policies: privatisation, education and training, labour market infrastructure Investment in R&D, increased net migration, FDI/MNC and competition policies. • Candidates need to identify and analyse at least 2 of these policies to show how they will increase the long-run economic performance of the economy. **AO3 Evaluation** • Government spending might be constrained by how much the government might borrow without high interest rates/domestic/international lenders becoming reluctant to lend. • Monetary policy the government aim to promote long run growth may be compromised by a growth in borrowing and a rise in interest rates to. • Supply-side policies may be compromised by political constraints as the government may rely for example, on TU or industrial support. • Shortages of Factors of production: labour, raw material or resources. • Time lags • Shortage of government finance • Environmental impact. • Privatisation and exploitation of labour/monopoly inefficiencies. Accept all valid responses	**20**
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

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