CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the March 2016 series

9708 ECONOMICS

9708/42 Paper 4 (A Level Data Response and Essays), maximum raw mark 70

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Section A

1 (a) NEETS continue to rise as a proportion of total world workforce, figures from chart (2). Youth unemployment. 13.1% almost 3 times adult rate (1). **[3]**

(b) Lack of investment by companies out of profits – prefer to increase payments to shareholders. Advanced economies have failed to get the right balance between employment and other macroeconomic goals. Falling economic growth in emerging economies, e.g. China. Effect of European financial crisis – and two plus elaboration. **[4]**

(c) Long-term unemployment will persist with adverse effects on economic growth, increased poverty and social unrest arising from increasing inequalities in incomes.
Both developed and emerging economies will be affected and will need to revise macro-economic policies to boost employment and economic growth. **[5]**

(d) Generally unemployment outstrips job creation.
Uneven effects – emerging economies have the lowest combined unemployment rates compared with developed countries. Some European countries have high youth unemployment rates- although there was a decline in Germany and Turkey.
Growth rates in emerging economies are slowing down, e.g. China which affects other trading nations – less demand for commodities and manufacturers has global effects on trade and aggregate demand. (6)
"Weak" recovery not the case for some groups, e.g. companies still making profits – shareholders benefit. (1) conclusion (1) **[8]**

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.

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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.

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.

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 subsections

Level	1	2	3	4
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13

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2 The answer should consider the initial proposition and comment on its validity. Economic theory uses the concept of efficiency to achieve maximum welfare. Candidates should then identify and describe the necessary conditions for an increase in economic welfare and consider how/whether it can be achieved.

L4 For a reasoned and clear discussion with accurate development of theory and good links to the statement together with a reasoned conclusion. **[18–25]**

L3 For a competent comment together with limited elaboration of the analysis or imprecise links to the statement. There will be some discussion but the evaluation will not be fully developed or extensive. Reserve higher marks in this band for answers with a conclusion. **[14–17]**

L2 For a brief explanation but weak or ill-explained links to the statement. The explanation will be undeveloped with some attempt at analysis but only limited evaluation. **[10–13]**

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

3 **(a)** Explanation of the Law of Diminishing Returns and of diseconomies of scale. Diminishing returns occur in the short run and diseconomies of scale in the long run. Both occur as output increases.

L4 For a good explanation of the analysis and a clear understanding of the differences and link between the two concepts, and a conclusion about output. **[9–12]**

L3 For a competent comment but with more limited explanation of the link between the two and not such a clear comment about output. **[7–8]**

L2 For a brief descriptive explanation and with no link to the question of output. **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

(b) Candidates should consider the statement. It may be true that maximum profits occur where mc=mr but it is not necessarily true that firms seek to achieve this output. Alternative aims should be discussed.

L4 For a sound explanation of the analysis and a clear discussion with a conclusion **[9–13]**

L3 For a competent comment but with limited evaluation and a weaker conclusion. Up to 7 if there is no conclusion. **[7–8]**

L2 For a brief explanation of the idea of maximum profit but relatively little evaluation of alternative aims and no conclusion **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

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4 (a) Explanation of the theory of wages which deals with both supply and demand factors in perfect competition.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved in perfect markets. **[9–12]**

L3 For a competent comment in a perfect market but with a limited development of the analysis. **[7–8]**

L2 For a correct explanation of a limited part of the analysis – perhaps concentrating on either demand or supply. **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

(b) What may apply in perfect competition is not the case in imperfect competition. Analysis of what happens to wages if the market is imperfect. Wages could be lower than perfect competitive situation because of monopolistic elements in the product market or monopsonistic elements in the factor market. Monoposonistic 'exploitation' may possibly be removed by trade union bargaining. However, the negotiating a higher wage may lead to unemployment depending on its level compared with the original wage and the extent of 'exploitation' in the fixing of the original wage.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved together with a judgement to the question. **[9–13]**
(D/S only, no mrp, 7–8)

L3 For a competent comment of the analysis but with a limited development but still with a judgement on the question asked. **[7–8]**
(D/S only, no mrp, 5–6)

L2 For a correct explanation of a limited part of the analysis with no conclusion. **[5–6]**
(D/S only, no mrp, 3–4)

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**
(D/S only 1–2)

5 (a) Explanation of economic growth in terms of increases in output per head over a time period, and comment on the causes of growth. Increases in the factor labour might help, but so would other factor increases especially advances in technology – which might replace labour.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved **[9–12]**

L3 For a competent comment but with a limited development of the analysis. **[7–8]**

L2 For a correct explanation of a limited part of the analysis – perhaps concentrating on one factor of production. **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

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(b) Candidates should consider what benefits it might bring in terms of employment, incomes, standards of living, trade and wealth. They should also comment on possible drawbacks in terms of environmental change, resource use, distribution of income.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion **[9–13]**

L3 For a competent comment but with limited development and a weaker conclusion. Up to 7 with no conclusion. **[7–8]**

L2 For a brief explanation of the meaning of growth and a one-sided presentation of its effects and results with no conclusion. **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

6 (a) Explanation of comparison of changes in interest rates against prospective yields of investment, short-term v long-term considerations.

L4 Explanation of the analysis and a clear understanding of the principles involved. **[9–12]**

L3 For a competent comment but with limited elaboration of the analysis. **[7–8]**

L2 For a correct explanation of part of the analysis. **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

(b) Discussion of link between investment and output via the multiplier and subsequent effect on further investment via the accelerator.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the principles involved with a reasoned conclusion. **[9–13]**

L3 For a competent comment concentrating on one element – probably the multiplier. **[7–8]**

L2 For a limited discussion of the analysis but with only very brief development of the ideas. **[5–6]**

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

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7 Candidates may write about the use of GDP, GDP per capita, HDI, MEW but they should comment on the reason why they have chosen the indicator they use. They should also comment on the effectiveness of the indicator. They should also give reasons why they have chosen the policies they mention, how they relate to the standard of living and why those policies would influence the standard of living most effectively.

L4 For a sound comment with clear understanding of the usefulness of the indicators, an analytical comment on the value of government policy and a reasoned discussion of the link between that policy and the standard of living. There should be a sound structured answer with a conclusion. **[18–25]**

L3 For a competent comment but with more limited development of both the usefulness of the indicators and the link between the policy and the standard of living; or a fuller account of either the indicator or the policy. Reserve the higher marks in this band for answers with a conclusion. **[14–17]**

L2 For a more general account but with more of a descriptive account rather than a discussion of both aspects of the question or a concentration on one of the aspects of the question but with a very moderate discussion with no 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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