Cambridge International AS & A Level

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Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/42**

Paper 4 Data Response and Essays **March 2017**

MARK SCHEME

Maximum Mark: 70

Published

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LEVELS OF RESPONSE MARKING DESCRIPTIONS

Please also see the mark scheme for each part of each essay, detailing the ranges of marks to be awarded for each Level, and some illustrative content.

Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L4	detailed knowledge of relevant facts and theory perceptive understanding of the specific requirements of the question throughout the answer	relevant, apposite illustrations and specific examples are introduced to add depth and fullness to the answer recognises the underlying economic concepts and principles and applies these in relevant situations to develop the answer	detailed, precise and purposeful description, explanation and analysis using appropriate economic terms and concepts correctly and fluently draws clear, reasoned conclusions a sound, well-structured answer	critical evaluation of the issues, considering relevant information and economic principles distinguishes between facts, hypotheses and/or value judgements challenges assumptions of the question or model
L3	adequate knowledge of relevant facts and theory a reasoned understanding of the question's requirements shown in the answer	some appropriate relevant illustration or examples seen but they may be quite general or not very full applies theory and facts with accurate reference to the question to develop the answer	straightforward, satisfactory analysis: generally clear statements, supported by reasoned arguments including some specific economic terms and concepts draws some conclusions a functionally organised answer	partly complete evaluation of the issues in terms of either relevant information or economic principles attempt to distinguish between facts, hypotheses and/or value judgements attempt to comment on assumptions

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Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L2	identifies some relevant facts and/or theory the answer overall has a general relevance to the question, showing some understanding	illustration may not be fully relevant and is superficial or overgeneralised an accurate application of some related theory or fact(s), with little or no development	some analysis present but limited by omissions, error(s), irrelevant details or unclear communication conclusions may not be drawn from it a disorganised answer	some evidence of an ability to evaluate, discriminate, or to make basic judgements, considering some relevant information
L1	shows some relevant knowledge the answer indicates that the question has not been correctly understood	barely relevant, minimal or tangential illustration basic errors of theory or of fact with inadequate development	any analysis present is likely to have major errors, omissions or be mostly irrelevant	minimal or no evidence of the evaluation skills of criticism, judgement or discrimination in the answer

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Question	Answer	Marks
1(a)	Supply-side policies are mainly micro-economic policies aimed at making markets and industries operate more efficiently.	**2**
	Examples: education/training, reducing planning regulations, changing labour/employment rules, encouraging research	**2**
1(b)	Low interest, encourages borrowing/investment, may encourage employment – depends on capital/labour ratios, chart is equivocal about this – e.g. rates rose in 2011 but unemployment fell, fairly constant rates 2012–14 but unemployment still falling.	**4**
1(c)	House price rises raise household wealth, may extend mortgages increases willingness to spend. Expenditure increases on modernisation of houses.	**3**
	Oil prices affected costs of production, encourages investment. Lower costs for household bills, more money to spend on other items.	**3**
1(d)	Argument: finance minister has little power. Gives examples of other influences, firms investment, central banks, consumer spending, immigration, international trade.	**3**
	However although article mentions lack of power it does not mention what influence the Finance Minister might have in terms of tax changes, both direct and indirect, on revenue and expenditure policies, on effect of tax changes on consumer spending – maybe on house purchases, durable consumer goods. Tax changes affect consumer and producer spending and investment, affect government revenue and public spending. Conclusion.	**3**

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Question	Answer	Marks
2(a)	Explanation of utility, assumption of given tastes, income, condition of equilibrium for one product, and for a number of products with different prices. Alternatively the equilibrium can be explained with indifference curves. ***L4*** *For a clear explanation, logically presented dealing with each point.* **9–12** ***L3*** *For a fair but undeveloped explanation either dealing with a single product or dealing with a number of products but not explaining the equation properly. With indifference curves the reasons for the slopes of the curves will probably not be given.* **7–8** ***L2*** *For a briefer explanation, probably not fully explaining the equilibrium in relation to price, or not explaining more than one product. Or with indifference curves just baldly mentioning the tangent without an explanation.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
2(b)	Giffen goods would result in a different outcome when prices change from the outcome of a normal good. Indifference theory can show more precisely why the difference occurs using income and substitution effects. Normal good, substitution increases demand, income increases demand, overall increase. Giffen good, substitution increases, income decreases to a greater extent, overall decrease in demand. ***L4*** *For a reasoned and clear discussion, logically presented dealing with income, substitution, normal, Giffen.* **9–13** ***L3*** *For a fair but undeveloped discussion probably with correct normal good but errors on Giffen good.* **7–8** ***L2*** *For a briefer discussion with minor errors either in income/substitution or in Giffen good.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**13**

Question	Answer	Marks
3(a)	Market power enables firm to fix price, rather than take market price. Occurs in imperfect competition. It is possible to maintain price above competitive levels for a period, usually above cost. Market power can also have an influence on quality of product, service, extent of innovation. Usually occurs when firm has dominance of market or is fairly large or there are few substitutes for product. Contestable market means a potential threat of competition because of limited barriers to entry which might prevent firm charging excessive prices if they wish to stay in the market. Buyers would then be able to switch suppliers with consequent effect on firm's revenue. ***L4*** *For a sound explanation with good illustrations and a clear understanding of the economic principles involved.* **9–12** ***L3*** *For a competent comment with limited development probably with weak reference to contestable market.* **7–8** ***L2*** *For a brief explanation with very little development.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**12**
3(b)	Discussion of the various aims of the firm, profit maximising, behavioural, managerial, satisficing, following a price leader, pricing to ensure at least average variable cost is covered, sales maximising, revenue maximising. ***L4*** *For a reasoned and well-argued discussion with clear explanation of different aims.* **9–13** ***L3*** *For a clear but undeveloped discussion of a range of aims or a concentration on profit maximising with brief mention of alternatives.* **7–8** ***L2*** *For a limited attempt to consider the question but without a balanced approach.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**13**

Question	Answer	Marks
4	Analysis of wage determination and employment levels. Consideration of perfect and imperfect markets. Discussion of meaning of 'improvement'. In what? (Employment levels, wages, productivity, efficiency of firm, safety issues?) For whom? (worker, employer, general public – no strikes) ***L4*** *For a thorough critique of the statement and an explanation of the analysis of wage determination with a clear comparison of perfect and imperfect markets. There should be a conclusion and a well-structured answer.* **18–25 (14–17 D&S)** ***L3*** *For a weaker critique of the statement but a competent explanation of imperfect market wage determination. Max 15 no conclusion.* **14–17 (10–13 D&S)** ***L2*** *For a correct but undeveloped analysis with only a brief comment and recognition of the range of relevant issues to consider. No real conclusion.* **10–13 (6–9 D&S)** ***L1*** *For an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9 (1–5 D&S)**	**25**

Question	Answer	Marks
5(a)	Comment on differing importance of agriculture/industry/services. Balance or rural/urban occupations. Comment on birth rates, death rates, infant mortality, migration. ***L4*** *For a sound explanation with good illustrations and a clear understanding of the principles involved.* **9–12** ***L3*** *For a competent explanation of the principles but with fewer illustrations or a concentration on either employment or on age structure and only brief mention of the alternative aspect of the question.* **7–8** ***L2*** *For a correct but brief explanation with undeveloped comment on both aspects, or an explanation of one aspect only.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**12**
5(b)	Discussion of changes in social factors, health, education, housing, incomes, sanitation, environmental change, resource use, distribution of income, ***L4*** *For a reasoned and clear evaluative comment with a conclusion about desirability.* **9–13** ***L3*** *For a comment on a limited range of changes or a wider range with less development – max 7 without a conclusion on whether beneficial.* **7–8** ***L2*** *For a limited but acceptable attempt to consider the possible results of development but with no conclusion.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**13**

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Question	Answer	Marks
6(a)	Description of transactions, precautionary and speculative with comment on the significance of income. Determining factor in transactions, less so in precautionary, residual only in speculative. ***L4*** *For a sound description and a clear understanding of the principles involved together with a reasoned comment on significance of income.* **9–12** ***L3*** *For a competent comment with limited development, brief mention of the significance of income.* **7–8** ***L2*** *For a correct description but undeveloped comment with no attempt to decide on significance of income.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**12**
6(b)	Discussion of the weakness of using GDP as a measure of standard of living. Partly overcome by using real GDP per capita but it omits social issues – education, health, sanitation, working hours – doesn't include unpaid work, informal economy, quality of goods, types of goods, long run v. short run, environmental issues, distribution of income, sustainability. These qualitative factors are considered with other indicators ***L4*** *For a sound explanation and discussion with good illustrations and a clear understanding of the principles involved and a reasoned conclusion.* **9–13** ***L3*** *For a competent comment with limited development and discussion, brief recognition of importance of social factors; max 7 without a conclusion.* **7–8** ***L2*** *For a correct explanation but undeveloped comment or elaboration.* **5–6** ***L1*** *For an answer that has some basic correct facts but includes irrelevancies and errors of theory.* **1–4**	**13**

Question	Answer	Marks
7	Explanation of meaning of efficient allocation and explanation of the analysis which ensures an efficient optimum may be reached. Distinction between productive and allocative efficiency. Discussion of reasons for market failure and necessity/desirability of government intervention to achieve efficiency. This could be by persuasion (nudge theory) rather than by enforcement. Nudge theory, originally an ethical idea not a government manipulative tool, involves designing choices to encourage decision making in wider positive interests of society. But it can be used in government context. Conclusion about efficacy of relying on market system. ***L4*** *For a thorough explanation and a reasoned discussion dealing with both aspects of efficiency and possible reasons for government intervention. A conclusion should be drawn.* **18–25** ***L3*** *For a competent explanation of the terms with accurate but limited discussion. Maximum 15 without a conclusion.* **14–17** ***L2*** *For a correct but undeveloped explanation with some attempt at analysis but only brief discussion with no conclusion.* **10–13** ***L1*** *For an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

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