Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/42**

Paper 4 A Level Data Response and Essays **February/March 2023**

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.

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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 descriptors 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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Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

1 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.
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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)	**State what is meant by a recession?** Recession is linked to GDP (1), negative growth of GDP/output (1), over 2 quarters, (1)	**3**
1(b)	**Analyse why governments borrow and why it is said that a government should increase spending in a recession.** Governments borrow to finance government expenditure not covered by receipts or taxation (2) Government borrows to finance a deficit (1) Borrowing would be used to increase government spending/ AMD (1) this would increase income (1) output (1) employment (1) and through the multiplier (1) encourage economic growth (1)	**5**
1(c)	**Consider what is meant by the phrase 'government borrowing could 'crowd out' the private sector**. 'Crowding out' idea is that the growth of government spending will lead to a transfer of scarce resources, or finance, from the private to the public sector. (2) If the government borrows to fund the expenditure it may have to sell bonds to the private sector (1). Encouraging the private sector to buy bonds may require higher interest rates (1) or prevent the private sector using the money for other projects. A rise in interest rates will also make private borrowing more expensive (1) and crowds-out private investment and consumption (1)	**6**
1(d)	**Assess whether the evidence in the article makes a conclusive case that the high level of government borrowing is an effective policy.** Accept any of the following points: reserve a mark for the conclusion. • Sound because – the economy is in recession so there would be no crowding out (1) • the position could be worse if spending were reduced, and government revenue would be affected further (1) • high debt is said to be OK if the ratio of debt to GDP is stable (1) but that debt wasn't stable, see chart, and it is the highest for 60 years (1) • Japan doesn't have a problem (1) but that economy is different (1) • borrowing may increase interest rates; this would affect the rest of the economy. High interest rates would discourage investment (1) Conclusion: Evidence is inconclusive. (1)	**6**

Question	Answer	Marks
EITHER		
2	**The use of air travel leads to market failure caused by negative externalities.** **With the help of a diagram, assess the extent to which a government can intervene to correct this market failure.** 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** • Market failure regarding this question would relate to allocative inefficiency. Market failure can be explained by defining allocative efficiency and linking this to the requirement to allocate resources to maximise consumer satisfaction. This can be supported by a diagram illustrating a level of output where AR = MC which is consistent with an outcome that achieves allocative efficiency. • Negative externalities occur when the consumption/production of a good produces a cost to society which is greater than that incurred by an individual consumer/producer. This is sometimes described as a negative 'spill-over' effect. • Forms of government intervention might include: the use of taxation; the use of negative advertising, direct regulation • A clearly labelled, accurate diagram can be used to show the impact of a negative externality on the level of output and the welfare loss will be identified. • The diagram could show the market equilibrium point which does not recognize the existence of a negative externality and may compare this with the allocatively efficient level of flight use when the negative externality is taken into account. • One type of intervention might involve the use of taxation by a government. A tax will increase the cost of air travel which will decrease demand. A decrease in demand will decrease the equilibrium number of flights and achieve allocative efficiency. • A government might use negative advertising to decrease demand. A decrease in demand will lead to fewer flight, volume of air travel will fall and allocative efficiency might then be achieved.	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • A government might introduce a tax however it is difficult to measure the precise level of taxation required. • Also, the impact of a tax on price and demand in some circumstances takes a long time to become effective. • Advertising is often costly, and it is not always certain that it will have a sufficiently persuasive effect to ensure the correct level of consumption is reached • It is possible to show that government intervention can reduce the level of inefficiency caused by the existence of negative externalities, but it is not clear whether the net effect of government intervention will always be positive. Some types of intervention will be more effective than others depending on the nature of the good/service under consideration. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**Some firms in oligopoly markets choose to collude rather than engage in price competition. This will lead to higher prices and a less efficient allocation of resources.** **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** • The key characteristics of an oligopoly market should be described. • Collusion should be explained and compared to the alternative of price competition. • Some explanation of what is meant by an efficient allocation of resources. • Analysis of the links between collusion, higher prices and allocative efficiency should be provided. • Analysis of alternative price and non-price competitive approaches by oligopolistic firms should be discussed. • A large, dominant organization might have less incentive to operate efficiently and X inefficiencies might occur.	**20**

Question	Answer	Marks
3	**AO3 Evaluation** • Colluding oligopolistic firms might argue that an increase in size will lead to more opportunities to provide a wide range of goods and therefore more consumer choice. • It is possible that collusion will lead to an increase in dynamic efficiency and this increase would allow long term more investment and ultimately lower prices. A supporting diagram can be provided. • Such a decision will enable the firms to benefit from economies of scale. For example, reducing managerial inefficiencies. This could also lead to lower prices. • Any potential negative effects of collusion can be accounted for by government intervention and regulation after the collusion has taken place. • A conclusion should refer to the preceding analysis and then make some attempt to make a judgement whether, on balance, collusion will have a net negative effect on prices and/or efficiency. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**Expenditure-reducing policies will reduce a balance of payments deficit but this will also cause significant unemployment.** **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** • Expenditure reducing policies will be defined by the relationship between changes in aggregate demand and changes in the demand for imports. • Examples of expenditure reducing policies such as an increase in interest rates or a deflationary fiscal policy will be provided. • A consideration of and an explanation of the type of unemployment that might occur. • Analysis of the use of specific policy instruments and their impact on reducing a balance of payments should be provided. • Analysis of the potential impact of expenditure reducing policies on unemployment will be considered. For example, an increase in interest rates will decrease investment expenditure, decrease aggregate spending which will include spending on imports therefore helping to reduce a balance of payments deficit	**20**
	AO3 Evaluation • The impact of expenditure reducing policies will depend upon the state of the economy when these policies are introduced. For example, raising interest rates when an economy is experiencing high levels of inflation and a positive output gap will have a limited effect on unemployment. • If contractionary fiscal policies are used the impact on unemployment will depend upon the main cause of the existing level of unemployment. • Contractionary demand side policies might also be accompanied by positive supply side policies which might simultaneously reduce structural unemployment. • Expenditure reducing policies might lead to the substitution of domestically produced goods for goods which were previously imported Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
5	**Assess the impact of globalisation on the standard of living in low-income countries.** 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** • Globalisation would promote free trade, free movement of capital and labour and the transfer technology. Cultural and political ties would be strengthened. • Key characteristics of low-income countries would include: low levels of productivity; high dependency ratios; low GDP per capita; significant dependence on producing and exporting primary goods. • Low living standards are generally associated with: high poverty levels; inequality; poor housing, education and health; and rapid population growth. • 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 and changes in productivity which enable changes in GDP to be achieved. • Globalization through trade and technology transfer should provide opportunities to create more real wealth. • Higher levels of tax revenue are likely to be received by a low-income country's government. This will enable more expenditure on health, housing and education as well as increased access to more consumer goods. These improvements are generally associated with a rise in the standard of living.	**20**

Question	Answer	Marks
5	**AO3 Evaluation** • The links between globalisation and GDP and an increase in living standards in low-income countries are not clear. Sometimes, labour is exploited by more advanced, higher income countries. in low- income countries. • Globalisation can lead to economic dependency and significant imbalances of trade which, in the long run, might have a negative effect on living standards in low-income countries. • Higher skilled work might be provided through the global transfer of labour therefore training of the indigenous population does not take place. • In some cases, individual firms in low-income countries might be outcompeted and go out of business. Unemployment might then rise and living standards might fall. • In conclusion, it is clear that there is a potential role for globalisation to improve the standard of living but this will depend on many factors which have been referred to above, some of which might have an overall negative impact. Also, it is very important to ensure that an appropriate measure of the standard of living is used, one which does not rely entirely on the material benefits gained by globalisation. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6