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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the October/November 2008 question paper

9708 ECONOMICS

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

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began.

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

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

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

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UNIVERSITY of CAMBRIDGE International Examinations

Section A

1 (a) Explanation which mentions increase in real GDP, or increase in national income, productive capacity with brief comment. Could mention difference between actual and potential growth [3]

(b) 2 way link – developed use developing countries resources, but also give aid. Both are supposed to help both types of economy. Use of resources brings income to developing nation and production and growth to developed nation. Aid encourages development and as a result products may be available for developed nation to import. Need not refer to extract to get full marks. [5]

(c) No real proof from the chart.
- no absolute figures
- no definition of poverty
- unsure about %s on chart
- no comparative figures to substantiate the word 'still'
- however may be true as % distribution on chart is quite uneven.

Need a conclusion even if it is that the evidence is indecisive.
Give credit if candidate mentions both sides of argument [5]

(d) The conclusion is not necessarily correct. Growth in developed country may have decreased poverty as well as in the developing country. There is still poverty in both types of economy but may have been worse without growth. No evidence, only a bald statement, about widening differences. The information about $2 a day does give some weight to the argument but we do not know comparative costs of living. Look for reasoned argument with a conclusion. Could mention changes in the idea of what constitutes poverty.
No use of evidence/information: max 3 [7]

Section B

General Comments for section B:

The essay questions carry a maximum mark of 25. Try not to 'bunch' marks, but use the whole mark range. If there is any doubt in your mind, give the benefit of doubt to the candidate.

The difference in grades should be assessed on the ability of the candidate to demonstrate the various objectives of the examination listed in the syllabus and not purely on the ability to itemise further facts from the content of the syllabus. Marks should be awarded for the ability to demonstrate that aim b) of the syllabus has been achieved as well as aim a) - which refers to content knowledge. It is the objective of the examination, as listed in the syllabus, to assess both these aims.

An overall guide for marks for individual questions is given below; these are from a total of 25. They may be applied proportionally of course to parts of questions where the total is less than 25:

Mark 1–9 (Linked to level one 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 two 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 organize ideas into a new unity.

12–13 where the answer has a more thorough relevance to the question but where the theory is incompletely explained.

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

14–15 where there is a good knowledge of the facts and theory of the question, clear evidence of the ability to use the facts and theory with accurate reference to the question that may have presented the candidate with a novel application.
There should also be evidence, where appropriate, of the ability to examine the implications of the question and an attempt to distinguish between facts and value judgements.
Clear statements, supported by reasoned arguments should be given and there should be some attempt at a conclusion to the question. There should be a reasoned structure to the whole answer. Do not expect too many extra Illustrative points which are not explicitly referred to in the question, do not expect too much critical comment on unstated assumptions

16–17 for an answer showing a well reasoned understanding of the question's requirements and of the relevant theory: the analysis should be sound though the illustration and development may not be very full.

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

18–20 where there is a thorough knowledge of the facts and theory with an excellent ability to describe, explain or analyse this in a precise, logical, reasoned manner. There should be an ability to query some of the assumptions in the question and clear evidence of an ability to distinguish between fact and value judgements and to draw some conclusions on the matter being discussed. Conclusions should be formed and expressed within a sound structured answer so that the whole is well presented. New illustrations and apposite examples should be introduced as further evidence of an ability to recognise the principles of the question and their application to relevant current situations.

21–25 for an answer which, given the time constraint, could not be improved significantly: it will have clear analysis, ample illustration and a good attempt at considered evaluation.
Be positive in your marking awarding marks for what is there without being too much influenced by omissions. Marks should not be deleted for inaccuracies.
Corresponding marks for sub-sections.

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

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2 Candidates first need to consider whether economic analysis does presume what is stated. It usually does presume consumers are rational. Candidates should then discuss the role of advertising. Advertising might not mean a decrease in rationality. It might through better information make informed choices more likely. An overall conclusion is essential.

L4 For an explanation of the terms in the statement, a clear analysis of the link between them, a discussion of the possible outcomes with a reasoned conclusion. [18–25]

L3 For a competent explanation which does not fully analyse the terms or clearly see the progression, or lack of progression in the argument. There will be some discussion but the evaluation will not be fully developed or extensive. [14–17]

L2 For an accurate though undeveloped explanation of some of the terms with some attempt at seeing the links between them but with very limited evaluation and no real conclusion. [10–13]

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

3 **(a)** Comment on derivation of LRAC, economies of scale, effect on costs and therefore, on best productive output.

L4 For a sound explanation with clear understanding of the principles involved and a clear link to profit-maximising presented. [8–10]

L3 For a competent explanation but with limited development of the link to profit maximising. [6–7]

L2 For a general explanation probably in descriptive form of economies of scale. [4–5]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–3]

(b) Two parts to the answer. Do firms want to maximise profits, do they do so by equating mc and mr? First part involves discussion of alternative theories of the firm. The second involves a discussion of the practicality of using mc=mr.

L4 For a reasoned discussion and clearly structured answer with conclusion on both parts. [12–15]

L3 For a full discussion, probably of the first part, but little mention of the second part. [9–11]

L2 For a limited but acceptable attempt to describe some alternative policies, little on the practicality and no conclusion. [6–8]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–5]

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4 **(a)** Government may be involved to provide unprofitable service or to prevent high profits although the service is provided, or to control practices that might be thought to be unsafe or detrimental to the consumer. No need to relate to India.

L4 For a sound explanation with clear understanding of the principle involved . [8–10]

L3 For a competent explanation but with limited development. [6–7]

L2 For a general explanation probably in descriptive form. [4–5]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–3]

(b) Efficiency needs to be defined. Discussion of efficiency and whether government involvement necessarily implies productive or allocative efficiency. There is a chance that allocative efficiency might be more likely, but it is problematic to calculate it. If unprofitable services are provided it is quite unlikely that productive efficiency will be achieved.

L4 For a reasoned discussion and clearly structured answer with conclusion on both types of efficiency. [12–15]

L3 For a full discussion possibly of one type of efficiency with only a limited attempt at a conclusion. [9–11]

L2 For a limited but acceptable attempt which may not define efficiency, omit one type of efficiency, not have a conclusion, and not have any development of analysis. [6–8]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–5]

5 Candidates need to consider whether the theory does presume only that there is a perfect market and that a stable equilibrium will be achieved. (Theory allows for imperfections and does not prescribe a stable equilibrium in the imperfect market with trade unions.) Candidates then need to consider whether the conclusion in the statement is accurate.

L4 For an explanation of the terms in the statement, a clear analysis of the link between them, a discussion of the imperfectly competitive case with a reasoned conclusion. [18–25]

L3 For a competent explanation which does not fully analyse the terms or clearly see the progression, or lack of progression in the argument. There will be some discussion but the evaluation will not be fully developed or extensive. [14–17]

L2 For an accurate though undeveloped explanation of some of the terms, probably mentioning imperfect competition but not dealing with the exact equilibrium, with very limited evaluation and no real conclusion. [10–13]

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

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6 (a) Explanation of the various types of unemployment.

L4 For a clear explanation with accurate development of at least four types of unemployment, cyclical, structural, frictional, seasonal, real-wage (classical), voluntary or well developed 3 types. [9–12]

L3 For a clear explanation of at least three types or more than three with undeveloped explanation. [7–8]

L2 For a limited attempt with little development. [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 the different aims of government policy, both macro and micro could be mentioned, with a comment on their relative importance.

L4 For a sound discussion with good explanation of the aims and a clear understanding of the relative choices with a conclusion. [9–13]

L3 For a competent comment but with limited attempt at a comment on the relative importance. [7–8]

L2 For a correct explanation but with no attempt at a consideration of the relative importance. [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]

7 (a) Explanation on the m.e.c./m.e.i. against the rate of interest, consideration of longer term outlook, discussion on the importance of the rate of interest.

L4 For a sound explanation with clear understanding of the principles involved. [8–10]

L3 For a competent explanation but with limited development. [6–7]

L2 For a general explanation probably in descriptive form. [4–5]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–3]

(b) The link between investment and national income through the multiplier process should be explained. Candidates should discuss the role of private investment and consider its relative importance in terms of other elements of aggregate demand in the determination of national income. Allow for an answer which discusses political stability, natural resources, size of labour force, unrest and war.

L4 For a reasoned discussion and clearly structured answer with links explained and the multiplier analysis or the alternative approach developed. [12–15]

L3 For a full discussion of the different parts but without a clear link or without a good development of the multiplier or the alternative approach and only a limited attempt at a conclusion. [9–11]

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L2 For a limited but acceptable attempt which may not consider all the elements, not have a conclusion, and not have any development of analysis. [6–8]

L1 For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. [1–5]

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