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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the October/November 2009 question paper for the guidance of teachers

9708 ECONOMICS

9708/41 Paper 41 (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, which would have considered the acceptability of alternative answers.

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 of increase in production in manufacturing and reduction in significance of agriculture with consequent effect on GDP. [2]

(b) The forests will be lost, people will lose their existing homes, the wildlife will suffer, the rivers will be contaminated, there will be air pollution and acid-rain, not everyone will be employed in the factory but the farm land will be destroyed. These changes could be given a monetary value and the effect on the whole economy given an economic cost. [5]

(c) They will not be dependent on rain so there will be constant work, they are likely to become more skilled – there is college training, the product produced is worth more so their value is higher. So, if they get a job their income is likely to be higher. But they have been displaced from their home and their community. The factory is not labour intensive and not everyone who has been displaced will be employed; supply of labour is high which will could depress wages. The overall balance will vary according to the individual concerned.
One side only maximum 3. [5]

(d) Evidence for: 48% poverty, low literacy, high debts, disease, hunger, floods. Against this there has been some industrialisation, improved employment, use of natural resources, steel production, increased incomes.
Need better figures of comparative living standards before and after development in the area, comparisons with other states, other information which is usually included in standard of living comparisons involving social and economic indicators. [8]

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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.

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.

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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

2 *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.*

L4 For a thorough explanation and a reasoned discussion dealing with both aspects of efficiency and possible reasons for government intervention. [18–25]

L3 For a competent explanation of terms with accurate but limited discussion. [14–17]

L2 For a correct but undeveloped explanation with some attempt at analysis but only brief discussion. [10–13]

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer is mostly irrelevant. [1–9]

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3 **(a)** *Explanation of economies of scale suggesting which of the economies might be significant in a public utility industry.*

L4 For a sound explanation of each the different economies and a clear link to the industry mentioned. [9–12]

L3 For a competent explanation of economies of scale but with limited application. [7–8]

L2 For a correct but limited explanation and little or no application. [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 meaning of contestable markets and a consideration of what competition might be likely in the market for gas. Substitute alternative energy sources should be mentioned.*

L4 For a reasoned and well argued discussion with accurate development of the analysis and a good application. [9–13]

L3 For a clear but undeveloped discussion but one which still tries to make an application. [7–8]

L2 For a limited attempt to consider the theory but with little application. [5–6]

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

4 *Discussion of determinants of wage rates using either demand and supply or marginal revenue productivity. In the past we have not used the full range of marks for a demand and supply approach only with no mention of marginal revenue productivity. This question does refer to public and private sectors so the influence of government in determining wage rates could be mentioned although the actual question does not ask for a comparison.*

L4 For a thorough explanation of the analysis of wage determination with a clear link to the explanation of low wages with discussion of institutional factors and government policy. [18–25]
(14–17 for demand and supply only with institutional factors and government policy.)

L3 For a competent explanation but with limited discussion and application. [14–17]
(10–13 for demand and supply.)

L2 For a correct but undeveloped explanation with only brief application. [10–13]
(6–9 for demand and supply.)

L1 For an answer which contains inaccuracies and only a few correct points. [1–9]
(1–5 for demand and supply only.)

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5 **(a)** *Explanation of the link between interest and growth which is usually through lower rates causing increased investment or spending and subsequent multiplier effects on the national income.*

L4 For a sound explanation of the meaning of growth and of the link between interest and growth and explicit reference to the contradiction. [9–12]

L3 For a competent explanation of growth but with a limited attempt to see the contradiction implied or a sound explanation with no attempt to see the contradiction. [7–8]

L2 For a correct but weak explanation of growth. [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 benefits of economic growth in terms of income, employment, standards of living but a consideration of the drawbacks in terms of externalities, short-term v. long-term use of resources, distribution of income and opportunity costs involved.*

L4 For a reasoned and well argued discussion with accurate development of the analysis and a reasoned conclusion. [9–13]

L3 For a clear but undeveloped discussion but one which still tries to make a conclusion. [7–8]

L2 For a limited attempt to consider the theory but 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 are substantial. [1–4]

6 *Question requires both a comment on the measurement of GNP – difficulties in collecting data, of unofficial economy, of double counting etc. – as well as a comment on the interpretation of the figures and the use to which they might be put when forming policy. Candidates should consider whether GNP figures can take some account of crime, pollution and health. Some of the alternative approaches which use GNP may include reference to part of the concerns stated. Candidates could also consider whether there is a link between GNP and crime or pollution or health.*

L4 For a thorough explanation of the difficulties of measuring GNP, an analysis of how GNP might be effectively used and a discussion of the link with the issues mentions. Conclusion should refer to the proposition in the stimulus. [18–25]

L3 For a competent explanation which does not fully analyse the difficulties of calculating or using GNP but makes some attempt at evaluation and tries to link the discussion to the issues raised. A brief conclusion will be stated. [14–17]

L2 For an accurate though undeveloped explanation with some attempt at analysis but no real attempt to link to the issues stated. [10–13]

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer is mostly irrelevant [1–9]

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7 **(a)** *Explanation of the characteristic differences between a developing country and a developed country.*

L4 For a sound explanation and explicit comparison of the characteristics giving a good range of indicators both economic and social. [9–12]

L3 For a competent explanation but with a limited development, or a fuller development of only a few characteristics but still with an explicit comparison. [7–8]

L2 For a correct but weak explanation of the characteristics and little development. No explicit comparison given and reader is left to draw conclusions. [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 economic problems facing developed countries and a consideration of whether they are similar. Candidates could mention possible unemployment, possible pollution, possible inflation, possible over-crowding, negative externalities, exploitation of resources with lack of consideration for the long term.*

L4 For a reasoned and well argued discussion with accurate development of the discussion and a reasoned conclusion. [9–13]

L3 For a clear but undeveloped discussion but one which still tries to make a conclusion. [7–8]

L2 For a limited attempt to consider the theory but 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 are substantial. [1–4]

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9708 ECONOMICS

9708/42 Paper 42 (Data Response and Essays – Supplement), maximum raw mark 70

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Section A

1 (a) (i) Explanation of relation between marginal utility, the price of good(s) and consumer satisfaction. [4]

(ii) Consumers believe drinking bottled water has become fashionable. Maybe this is not irrational even though there is no evidence of maximising satisfaction as there is no real comparison with the value (satisfaction) of tap water against bottled water. Consumers may believe bottled water is better and gives them more satisfaction. [4]

(b) It could lead to decreased employment, decreased incomes, trade balance improved by decreased imports. Increased revenue depending on elasticity of demand. There may be fewer external costs and less spent on dealing with the empty bottles. [5]

(c) Some of the article is emotive rather than factual – vanity, advertising, implies fashionable goods are necessarily wasteful, 'free money' statement, notion that money saved would all go to developing countries, appears to emphasise current environmental issues. The use of phrases 'would be better for everyone', 'morally unacceptable', 'environmentalists believe... unnecessary… emissions'.

Less emotive and more factual are the statements about the relative costs of water, level of imports, long distance water is carried for import, excessive profits, the lack of any positive statement about the value of the water industry by the minister. [7]

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Section B

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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.

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.

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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.

	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 **(a)** *Explanation of possible effect of growth in size on output and costs – the difference between the changes in total and the changes in average cost. Explanation of economies of scale and possible diseconomies of scale and possible resulting effect on profits. A conclusion.*

L4 For a clear explanation of average costs, a full explanation of different types of economies and possible diseconomies of large size. Good structure to the answer. (9–12)

L3 For a competent explanation of average cost but with a limited development of economies, or a fuller development of only some of the economies but still with a conclusion. (7–8)

L2 For a correct but weak explanation of the economies with little comment on the possible diseconomies. No explicit balance in the answer is given and the reader is left to draw conclusions. (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) *Comment on market power of monopolies and effect on price; comment on the exploitation of resources by a large company which can create barriers to entry and force up prices. The government might be concerned about the lack of provision for conservation, exploitation of consumers, excessive profits, safety and health issues.*

L4 For a reasoned and well argued discussion with accurate development of several of the points and a reasoned conclusion. (9–13)

L3 For a clear but undeveloped discussion but one which still tries to make a conclusion. The answer may comment only on one or two points about monopoly pricing and profits. (7–8)

L2 For a limited attempt to consider the information but 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 are substantial. (1–4)

3 *Discussion of the theory of wages. Imperfect markets would result in reduced employment and also lower wages compared with perfect markets. Large investment is likely to cause factor substitution in favour of capital especially in telecommunications. However, productivity may go up as a result with possible beneficial effects on wages. In telecommunications, the decrease in demand for labour is unlikely to be caused by a decrease in demand for the product.*

L4 For a thorough explanation of the analysis of wage determination with a clear link to the explanation of wages and a clear comparison between more and less competitive markets. Overall conclusion and well-structured answer. (18–25)
(14–17 for demand and supply only)

L3 For a competent explanation of imperfect markets but with limited discussion and comparison and imprecise conclusion. (14–17)
(10–13 for demand and supply only)

L2 For a correct but undeveloped explanation with only a brief comparison and no real conclusion. (10–13)
(6–9 for demand and supply only)

L1 For an answer which contains inaccuracies and only a few correct points. (1–9)
(1–5 for demand and supply only)

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4 (a) *2 marks each for transactions and precautionary, 6 for speculative demands for money. This section is an explanation, what each term means and, briefly, what it is dependent upon – income, time of year, possible future purchases, interest rates, level of interest rates and elasticity.*

L4 For a sound explanation with clear understanding of the concept. (8–10)
L3 For a competent explanation but with more limited comment on what each term is dependent upon. (6–7)
L2 For a general but very brief explanation. (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) *Increase in pay will increase transactions demand, monthly rather than weekly pay will also increase transactions demand. (Candidates might mention the effect of increased use of credit cards where purchases are made but not paid for at the same time. This alters the changes in transactions as income changes that were originally suggested when the concept was developed). The higher rate of interest might encourage some minor reduction in transactions demand on a temporary basis.*
If precautionary demand is for unexpected expenditure there will be no change, assuming expectations are the same.
Higher interest causes price of securities to fall and may increase demand for securities rather than for idle balances of money in anticipation of selling when price rises. Higher interest may increase demand for currency from foreign buyers, causing rise in exchange rate which reinforces demand for currency. Expectations about future of exchange rates may shift speculative curve.

L4 For a reasoned discussion on transactions and precautionary – up to 6, on speculative – up to 9, clearly structured answer. (12–15)
L3 For a competent discussion but with less development, transactions and precautionary up to 4, speculative up to 7. (9–11)
L2 For a weaker attempt which gives only a brief comment and discussion. Transactions and precautionary up to 3, speculative up to 5. (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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5 (a) *Explanation of the meaning of GDP and a comparison of that indicator with other suitable indicators of standard of living. Alternative measures such as GDP per head, HDI, MEW should be mentioned. If no alternative measures mentioned = L3 max.*

L4 For a sound explanation and explicit comparison giving a good range of indicators both economic and social and a conclusion. (9–12)
L3 For a competent explanation but with a limited comparison, or a fuller development of only two indicators but still with a conclusion. (7–8)
L2 For a correct but weak explanation and little development. No explicit comparison given and reader is left to draw conclusions. (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 should consider what the point of a population policy might be. If it is to promote economic growth then other aims and policies might be more pertinent. A consideration of the use of resources, of the international trade, of the development of industry and services, of health care and education might be mentioned.*

L4 For a reasoned and well argued discussion with accurate development of the discussion and a reasoned conclusion. (9–13)
L3 For a clear but undeveloped discussion but one which still tries to make a conclusion. (7–8)
L2 For a limited attempt to consider the information but 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 are substantial. (1–4)

6 (a) *Description of the term using economic variables such as employment, output, prices, international trade. Candidates could describe the effects of recession on the lives of employees, companies and government.*

L4 For a sound explanation with clear understanding of the term. (8–10)
L3 For a competent explanation but with more limited development of the idea. (6–7)
L2 For a general but very brief explanation. (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) *Discussion and analysis of government policies, fiscal, monetary, regulations and their effects on employment, output and growth.*

L4 For a reasoned discussion on different types of policy with a comment on how the policies will affect a recession. (12–15)
L3 For a competent discussion but with less development and less comment on how the policies affect a recession. (9–11)
L2 For a weaker attempt which gives only a brief discussion. (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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7 *Candidates should recognise that they have to comment on an argument. First, they need to decide whether inflation may be caused by the pressure on demand and on resources through fast growth. Secondly, they need to decide whether the reason for dealing with inflation is because it does not lead to job creation. The decision has to be taken whether inflation needs to be controlled and whether it is because of the lack of jobs. Thirdly, they need to consider, if inflation has to be controlled, whether interest rate policy is the only tool available. A conclusion on whether they support the argument, or parts of the argument, should be given.*

L4 For a thorough comment and discussion with a reasoned development of each stage of the argument, with a conclusion clearly presented. (18–25)

L3 For a competent discussion but without necessarily considering each stage of the argument. There should still be a use of analysis to support the conclusion which should be clearly presented. (14–17)

L2 For a correct but undeveloped discussion with only limited reference to supporting analysis and without a consideration of each stage of the argument. The structure will not be clear and the answer will be left without a definitive conclusion. (10–13)

L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer is mostly irrelevant. (1–9)

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