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CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9708 ECONOMICS

9708/41 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, 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.

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Section A

1 (a) The data refers to a 'government…..budget deficit'. Explain what this means. [2]

Candidates must recognise that the article refers to a government budget deficit, not an individual's budget, understand what a budget is, understand what a deficit is.
1 mark for only two of the three points.

(b) Use Fig. 1 to consider whether there is a link between the size of the budget deficit and economic growth. [4]

There is a budget deficit together with economic growth, but they do not occur to the same extent, I mark, but this is limited information, 1 mark, if note causal link is two way, I mark, selected examples, 2 marks

(c) Explain how the falling value of some countries' currencies 'stimulated demand for their tradable goods resulting in manufacturing growth.' [4]

An explanation of falling value 1 mark, reference to international trade 1 mark, explanation of how currency changes affect prices of goods and hence demand 2 marks

(d) Use the evidence given to discuss the similarities and differences in the two opinions and consider which you think is more appropriate to overcome a recession. [10]

Similarities – both recognise the importance of demand
– both recognise the need for growth
– both recognise borrowing is important
– both recognise the need for investment and profitability

Differences – conflict over the speed at which the deficit should be reduced
– first opinion does not say why reduced spending will increase growth
– conflict over the effect of reduced public spending

The charts do not give consistent support to either side.
Up to 5 for one side; reserve 2 for evaluative conclusion.

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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 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.

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 (a) Explain how the law of diminishing marginal utility might be used to construct a consumer's demand curve for a product. [12]

Explanation of diminishing marginal utility (DMU) and its link to equilibrium price and through changes in price to the demand curve.

L4 For a sound discussion with good explanation of the analysis and a clear understanding with a conclusion [9–12]

L3 For a thorough explanation but with limited development of the analysis and a weaker conclusion. [7–8]

L2 For a brief explanation and with a weak explanatory link between DMU, changes in price and hence the demand curve [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) Analyse how budget lines may be used to illustrate what happens for both a normal good and an inferior good when the price of the good increases at the same time as a consumer's income increases. [13]

Budget lines can show what happens to the relationship between the two goods. Income rises will shift the budget line in a parallel manner; price rises of one good will shift the budget line towards the origin for that good. The balance of the two changes will vary for a normal and inferior good but what precise quantity of each will be bought before and after the changes cannot be estimated from the budget line alone. Learners could explain that the quantity purchased would fall for an inferior good if income increases

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the different shifts with a conclusion [9–13]
L3 For a thorough explanation but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation and with a weak explanatory link between budget lines and quantity bought and 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]

3 (a) Explain why a firm's short-run average cost curve is usually drawn as a U shape and explain the link between the short-run average cost curve and the long-run average cost curve of a firm. [12]

Explanation of increasing/diminishing returns, explanation of economies/diseconomies of scale and derivation of long-run curve from successive short-run curves.

L4 For a sound discussion with good explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a thorough explanation but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation and with a weak explanatory link between short run and long run or with a concentration on either the short run or on economies of scale [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) It is said that perfectly competitive firms and monopolies aim to maximise profits. Discuss whether price, output and profit levels are, therefore, likely to be the same in perfectly competitive firms as in monopolies. [13]

Discussion of determination of price and output, market price takers or price makers, levels of output, levels of profit in short and long run.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the differences between perfect competition and monopoly [9–13]
L3 For a competent comment but with limited development of the analysis or a concentration on either perfect competition or monopoly [7–8]
L2 For a brief explanation and with a weak discussion of the distinction between the two types of market. [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 The differences in wage rates paid in different occupations are caused entirely by the differences in the elasticity of supply of labour. The way, therefore, to overcome the differences in wage rates is to increase the training available to workers.

Discuss whether economic analysis supports this argument. [25]

The question presents an argument. Candidates should recognise this in their discussion of the determination of the role of demand, supply, institutional factors in the determination of wages and their comment about the relevance of the conclusion to the argument.

L4 For a thorough analysis of theoretical wage determination with a clear discussion of the role of demand/supply, unions and/or government policy together with a comment about the significance of the conclusion of the argument about training. [18–25]
(14–17 for demand and supply only with institutional factors and government policy)

L3 For a competent explanation but with a more limited discussion of the significance of demand, unions and/or government factors but still with some comment about the significance of the argument about training. [14–17]
(10–13 for demand and supply)

L2 For a correct but undeveloped theoretical analysis with scant comment about the conclusion of the argument regarding training. [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)

5 (a) Explain what is meant by an inflationary gap. [12]

An inflationary gap explained, using the circular flow of income model and referring to the full employment level.

L4 For a sound discussion with good explanation of the analysis and a clear understanding [9–12]
L3 For a thorough explanation but with limited development of the analysis [7–8]
L2 For a brief explanation and with a weak explanatory link between full employment level and equilibrium level [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) Discuss what policies a government might use to reduce an inflationary gap. [13]

Governments can either increase withdrawals or decrease injections using fiscal or monetary policy. Deflationary fiscal policy – decrease G or increase T; deflationary monetary policy - increase interest rates, or reduce money.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the differences between fiscal and monetary policy [9–13]
L3 For a competent comment but with limited development of the analysis or a concentration on either fiscal or monetary policy [7–8]
L2 For a brief explanation and with a weak discussion of the effect of the policies [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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6 Whether a country can be classified as developed depends on the value of its GDP and the higher the GDP the better it is for the country.

Assess this opinion.

Candidates should consider the assertion. First they should comment on the merit of using the value of GDP as an indicator of development, then they should consider whether a high GDP is always beneficial for a country. Possible negative results from growth should be mentioned.

L4 For an clear explanation of the merits and drawbacks of using GDP, a clear assessment of the assertion in the quote and a reasoned conclusion. [18–25]
L3 For a competent explanation which does not fully analyse the drawbacks of using GDP or does not comment on the possible negative effects of growth. There will be some discussion but the evaluation will not be extensive. [14–17]
L2 For an accurate though undeveloped explanation of the use of GDP but with little evaluation of its limitations or of the negative side of growth. [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]

7 (a) Explain what is meant when it is said there might be inefficiencies in the production of goods and in the allocation of resources. [12]

An explanation of the meaning of economic efficiency, productive and allocative, and an explanation of inefficiencies due to market failure: monopolies, externalities, and information failure.

L4 For a thorough explanation of both efficiencies and an explanation of at least two market failures. [9–12]
L3 For a competent explanation with either a more limited comment on both efficiency and market failure (perhaps concentrating on productive efficiency) or a full explanation of either efficiency or market failure. [7–8]
L2 For an undeveloped explanation of efficiency/market failure. [5–6]
L1 For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer contains irrelevancies and errors of theory. [1– 4]

(b) Discuss whether the best way to overcome market failure is to control private enterprise by means of taxation. [13]

Discussion of different ways of dealing with market failure: taxes, subsidies, regulation, ownership and a consideration of whether taxation is the best method. Subsidies could be a valid tool for dealing with merit goods but not otherwise.

L4 For a sound discussion with good explanation of the different means of dealing with market failure and a conclusion about taxation. [9–13]
L3 For a competent comment on different methods but with limited discussion but still with a conclusion about taxation. [7–8]
L2 For a brief explanation and also with a weak discussion. [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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Section A

1 (a) What might be concluded about the Philippines economy from the information given? [4]

Large dependency on foreign income, – low wages – possible high unemployment – might be in recession.

(b) How far is the information in the fifth paragraph of the article supported by the evidence in Table 1? [4]

Not supported: – Mexico forecasts in 2007 were not good
– Mexico's prediction for 2008 was incorrect
– In most areas the increase has not been around 33%
– The World Bank's prediction of a slowing in growth of income sent home in 2008/9 was incorrect from the figures given but there are only selected countries and their figure was an overall average

Supported: – Mexico is the third largest recipient of the countries given

Overall conclusion: text and data do not really agree.

(c) Assess whether it is beneficial for the receiving country to use migrant labour. [5]

It might be beneficial because the labour is cheaper, but foreign labour may replace local labour which may cause problems and cheap labour may not encourage innovation and investment. In addition it may not be beneficial if money is returned to home country.

(d) Discuss the overall effect of the outflow of workers on the economy of their home country. [7]

It is uncertain. It depends on what happens to the money earned and on whether the loss of labour is significant, or whether the loss of labour can be replaced by capital. Production may be reduced as workers go abroad; alternatively production may go up as money sent home is used for investment or because the income spent causes increases in demand. Other factors to consider are possible social changes, whether the cost of training is met at home or by the host country, short run versus long run.

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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.
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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.

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Total Mark 13	1–4+	5–6+	7–8+	9–13
Total Mark 15	1–5	6–8	9–11	12–15

2 A study found that demand for tickets for exhibitions at a major art gallery had unitary price elasticity.

(a) Explain how the concept of diminishing marginal utility may be used to construct a demand curve for the product and whether that analysis still applies in the case of demand for tickets for the exhibitions. [12]

Explanation of diminishing marginal utility and its link to a demand curve. It can still apply in the case of unitary elasticity.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation and with a weak comment on the possible problems and no correct 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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(b) Discuss whether the law of diminishing returns contradicts the concept of economies of scale. [13]

Discussion of the law of diminishing returns and economies of scale and a recognition that the two can be used together, diminishing returns in the short run and economies of scale in the long run.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the difference between short and long run [9–13]
L3 For a competent comment but with more limited explanation of the link between the two and of the use of short and long run [7–8]
L2 For a brief explanation and with a weak discussion of the links [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]

3 (a) Explain what is meant by an oligopoly market and why prices might fluctuate less in an oligopoly market than in a perfectly competitive market. [12]

Explanation of the characteristics of oligopoly and of price rigidity and the kinked demand curve. Also look at non-price competition; price leadership.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation of the characteristics and a weak comment on the price rigidity 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]

(b) Discuss whether a firm in monopolistic competition is more likely to be in the public interest than a firm that is a monopoly. [13]

Discussion of the characteristics of the two types of market structure. Long run profit will be normal in monopolistic competition but not necessarily so in monopoly. Output is likely to be lower in monopoly; prices are likely to be higher. However, there may be merits of large scale monopoly firms through economies of scale. It may be difficult to make a general overall judgement.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the differences between the two market structures together with a conclusion [9–13]
L3 For a competent comment but with more limited discussion of the two market structures but still with a conclusion [7–8]
L2 For a brief explanation of the structures, limited discussion 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 Some workers producing non-essential luxury goods or services are paid very highly. The wage rate is not related to the economic value of a good or service but more to social factors or fashion. The economic theory of wages is, therefore, of little use in explaining wage differentials.

Assess this argument. [25]

Discussion of the economic theory of wages. The demand for a product may be influenced by fashion but it will help determine what might be charged for the product. The price charged can be linked, through the marginal revenue, to the marginal revenue product (mrp) demand for labour. The theory, therefore, is still of some merit and the conclusion of the assessment is that the argument is not supported

L4 For a thorough analysis of theoretical wage determination with a clear discussion of the possible link to product value and factor reward whether in perfect or imperfect markets. [18–25]
(14–17 for demand and supply only with institutional factors and government policy)

L3 For a competent explanation but with limited discussion of the link to product value. [14–17]
(10–13 for demand and supply)

L2 For a correct but undeveloped theoretical analysis and with a poor link to the question. [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)

5 It is said that the lack of investment funds for private companies from banks leads to temporary closures of factories which then become permanent and cause long-term unemployment. This loss of output will lead to a possible recession.

Analyse each part of this argument and discuss whether you agree with it. [25]

Candidates are expected to consider the argument. First, does the lack of investment funds lead to temporary closures or is it possible that the closure is for other reasons? Second, does a short-term closure necessarily become a long-term closure? Third, do the closures lead to loss of output lead to a recession?

L4 For a clear consideration of each stage of the argument in the question. A reasoned conclusion should be presented [18–25]

L3 For a competent but more limited comment on the argument probably concentrating on the link between investment and closures, or on short term and long term. There should still be some judgement on the conclusion in the question. [14–17]

L2 For an undeveloped discussion of the argument concentrating on only one aspect and with no overall comment on the conclusion in the question. [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 contains irrelevancies and errors of theory. [1–9]

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6 (a) Explain how the age and employment structures of the population of a developing country are likely to differ from those of a developed country. [12]

Explanation of the differences between the birth rates, death rates, migration and between the proportion in primary, secondary and tertiary sectors in developed and developing countries.

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]
L3 For a competent comment but with limited development of the analysis and a weaker conclusion. [7–8]
L2 For a brief explanation of the characteristics 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]

(b) You are told that a country has problems relating to overcrowding, unemployment and pollution.

Discuss whether the existence of such problems necessarily means that the country must be a developing country. [13]

Discussion of the characteristics of a developing country and a recognition that overcrowding, pollution and unemployment also occur in developed countries. These indicators are not significant in determining whether a country is developed or developing.

L4 For a sound discussion and a clear understanding of the possible similarities between developing and developed countries [9–13]
L3 For a competent comment but with more limited discussion of the types of country but still with a conclusion [7–8]
L2 For a brief discussion 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]

7 (a) For what purposes do people demand money? [10]

Explanation of the demand for money.

L4 For a sound explanation with clear understanding of the principles involved for the different types of demand [8–10]
L3 For a competent explanation but with limited development. [6–7]
L2 For a more general explanation which presents quite a simplistic approach. [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]

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(b) Too much money causes inflation. Discuss the main macroeconomic aims of the government and consider whether it should give priority to the limitation of inflation in achieving economic well-being. [15]

Discussion of the main macro aims and a consideration of which might be the more important to achieve.

L4 For a reasoned discussion of each of the aims, a clearly structured answer together with a conclusion of which aim might be more significant and why [12–15]
L3 For a less developed discussion and without a clear analysis of why one particular aim is better than another and with a weaker conclusion [9–11]
L2 For a limited but acceptable attempt to discuss the aims but in a much more general way and without any 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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Section A

1 **(a)** Easy to buy; show off to friends [2]

(b) **(i)** Explanaion of different possible criteria – output level, size of workforce, turnover, market share, capital investment [4]

(ii) There is not enough data to be sure; candidates should make a judgement about what might be considered to represent a large firm. They may suggest that capital of $10m is large, revenue large, employment small, market share unknown, value of companies $113m and $400m large. However they may give reasons to suggest that some of these figures represent smaller firms in the communications industry. There should be an overall judgment. [4]

(c) Accept any reasoned answer. Fixed costs may increase if there are developments in computer software or the purchase of bigger computers to cope with the demand; variable costs may not increase unless extra staff are needed to monitor the computer use and deal with payments records, or in marketing to persuade other companies to advertise on the site. [4]

(d) Evidence that it is wise: big demand, – increased revenue – get others to pay to advertise – value of company
Evidence that it is unwise: new/risky – fashionable [6]

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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.

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.

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 Candidates should discuss the argument presented. They should explain productive and allocative efficiency; they should explain diminishing marginal utility; they should consider whether there is a link between the efficiency and utility; they should consider the conclusion of the argument. [25]

L4 For a thorough explanation of efficiency and utility and a consideration of the argument in the question. A reasoned conclusion should be presented [18–25]

L3 For a competent but more limited comment on both efficiency and utility or a full explanation but little comment on whether there is link between them. There should still be some judgement on the conclusion in the question. [14–17]

L2 For an undeveloped explanation of efficiency/utility with very little discussion of whether there is a link between them. It is likely that no overall comment on the conclusion in the question will be given. [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 contains irrelevancies and errors of theory. [1–9]

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3 **(a)** Explanation of diminishing returns in the short run and economies of scale in the long run. [12]

L4 For a sound explanation of both concepts with accurate clear diagrams and a clear understanding of the principles involved [9– 2]

L3 For an accurate reference to the question but with a more limited explanation perhaps concentrating on one of the concepts – probably economies of scale – or with minor errors in the analysis or in the diagrams [7–8]

L2 For a poor explanation of the concepts, or a more accurate explanation but with inaccurate diagrams to support the text [5–6]

L1 For an answer which has some basic correct facts but includes irrelevancies and errors of theory [1-4]

(b) Explanation of deadweight loss and a discussion on the merits of monopolies. [13]

L4 For a sound explanation of the analysis and a good discussion of the merits and demerits of monopoly with a conclusion [9–3]

L3 For a competent comment on the analysis but with limited development of the discussion on monopolies and a weaker conclusion. [7–8]

L2 For a brief explanation and with a weak discussion [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]

4 Explanation of the economic theory of wages and a comparison of the perfect and imperfect factor market. Wage rates will equal average product in perfect competition; wage rates will not be equal between different occupations. [25]

L4 For a thorough analysis of theoretical wage determination with a clear discussion of the difference between the perfect market and imperfect market and a comment on the differences in wage rates. (14–17 for demand and supply only with institutional factors and government policy) [18–25]

L3 For a competent explanation but with limited discussion of the perfect imperfect market comparison or with little comment on whether wage rates will become equal. (10–13 for demand and supply) [14–17]

L2 For a correct but undeveloped theoretical analysis or with no comment on whether wage rates will become equal. (6–9 for demand and supply) [10–13]

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 public sector/government budget and meaning of deficit; comment on possible concerns over international standing, wasteful use of resources, inefficiencies, inability to raise finance, short term v long term. [12]

L4 For a sound explanation of the analysis and a clear understanding with a conclusion [9–12]

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

L2 For a brief explanation and with a weak comment on the possible problems 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]

(b) Discussion of the effects, one affects revenue, the other expenditure. Both aim to reduce the gap between revenue and expenditure. They affect different groups of people. Spending cuts may affect necessary services, be implemented unequally, be more readily applied to public sector provision. The amount of revenue generated by tax increases depends on the type of tax and, if indirect, on the elasticity of demand for the product. If the taxes are on income they may also affect hours worked detrimentally. [13]

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the similarities and differences [9–13]

L3 For a competent comment but with more limited development of the differences [7–8]

L2 For a brief explanation and with a weak discussion of the effects [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 the different causes of unemployment with a comment on the significance for the candidate's country. [12]

L4 For a clear explanation with accurate development of at least four causes of unemployment and a comment on their own country [9–12]

L3 For a clear explanation of at least three causes or more than three with undeveloped explanation or lack of comment on significance. [7–8]

L2 For a limited attempt with little development of either causes or significance [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) Discussion of occupational distribution of the population of a developing/developed country and a consideration whether this is the most significant indicator of development. [13]

L4 For a sound discussion with good explanation of the characteristics with a conclusion. [9–13]

L3 For a competent comment but with limited development but still with a conclusion [7–8]

L2 For a brief explanation and with a weak discussion 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]

7 The figures give only GDP. They may lead to the conclusion that it is likely that the standard of living is higher in the US than in India, but not definitely. GDP does not include:
non-marketed items (jobs done yourself, which is in the measure of economic welfare (MEW); the underground economy; the effect of externalities; the distribution of income; the size of the population; whether expenditure has been on production which increases standard of living in the future but not necessarily in the short term; whether the increase in production has been at the expense of leisure time and well-being. [25]

L4 For a thorough explanation of the difficulties of using GDP, a comment on the figures given and how they might be used effectively. There should be a conclusion which should refer to the stimulus. [18–25]

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

L2 For an accurate though undeveloped explanation with some attempt at analysis but no real attempt to link to the stimulus given. [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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