CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Level

MARK SCHEME for the October/November 2015 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.

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Section A

1 (a) Increases in growth cause higher incomes (1) and higher expenditure (1); higher incomes are reported to increase consumer welfare, and increases in welfare increase happiness (1). There is no limit to the extent to which increases in income cease to increase well-being or any elaboration (1). **[4]**

(b) Demand and supply diagram, shift of supply curve, change of equilibrium (up to 1 or 2), explanation of the decrease in total utility (2). No diagram – 2 maximum. **[4]**

(c) Article suggests that wage differentials are more important than absolute levels in determining well-being. However, reduced incomes may mean less spending which could result in lower incomes for everyone. It depends how the revenue from the tax increases is used. Governments could use the revenue to re-distribute income; article does not say that increases in lower incomes have less proportionate increase in welfare than increases in higher incomes. Conclusion. **[4]**

(d) There are advantages to growth. Research states that welfare increases with income, growth increases incomes, no limit on possible increases in welfare. Without growth, essential services cannot be provided, growth necessary to overcome effect of falling real wages. Further general comments can be made, for example, in terms of employment, international competitiveness.

There are disadvantages to increased growth. Calculations are often misleading and do not take account of all costs, example of the airport proposal, wider (external) costs. Further general points can be made, for example, possible pressure on price increases, resource depletion, and change in employment as machines replace labour. Conclusion. One-sided answer up to 5. **[8]**

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 to parts of questions where the total is less than 25:

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.

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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.

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 subsections

Level	1	2	3	4
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13

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2 (a) Explanation of the concepts of efficiency in terms of production and allocation.

L4 For a reasoned and clear explanation of both types of efficiency. **[9–12]**

L3 For a competent comment but with either a limited elaboration of the whole analysis or a concentration on one type of efficiency and the likelihood of achieving it. **[7–8]**

L2 For a correct explanation and limited discussion of part of the analysis – probably productive efficiency. **[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) Candidates should explain how increases in competition might affect output decisions and changes in costs. Whether these lead to an approach to productive efficiency once possible opportunities for economies of scale are removed is debateable. It is also debatable whether competition – unless it is perfect – allows allocative efficiency and no account is taken of externalities so social allocative efficiency is not attained.

L4 For an explanation of how competition affects each type of efficiency, a discussion of the possible outcome of a market system with a reasoned conclusion. **[9–13]**

L3 For a competent explanation which does not fully analyse both types of efficiency. There will be some discussion but the evaluation will not be fully developed or extensive. **[7–8]**

L2 For an accurate though undeveloped explanation concentrating on only one type of efficiency (probably productive) with some attempt at analysis but only limited evaluation. **[5–6]**

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 will include irrelevancies. Errors of theory or omissions of analysis will be substantial. **[1–4]**

3 (a) Analysis in perfect competition of the link between marginal cost of firm and supply of the firm and the sum of the firms' supply curves to form the industry supply curve. Consideration of the lack of a similar relationship in imperfect competition.

L4 For a sound explanation with clear understanding of the principles involved in both perfect and imperfect market structures. **[9–12]**

L3 For a competent explanation but with limited development of perfect and imperfect markets or a full explanation of one type of structure, probably perfect. **[7–8]**

L2 For a general description of only some of the factors. **[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) There are two parts to the answer. First do average costs always fall with increased output? (A consideration of economies of scale.) Second, does it follow that there is no place for a small firm?

L4 For a reasoned discussion and clearly structured answer with a competent assessment of both parts of the answer. A conclusion should be presented. **[9–13]**

L3 For an accurate but less full developed discussion of both parts of the answer or a fuller concentration of one part of the answer, together with a conclusion for 8. **[7–8]**

L2 For a limited but acceptable explanation of economies but with little evaluation or 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]**

4 Candidates need to consider whether the theory does presume only that there is a perfect market and that an exact equilibrium will be achieved. (Theory allows for imperfections and does not prescribe an exact 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.
(14–17 for demand and supply only.) **[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.
(10–13 for demand and supply only.) **[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.
(6–9 for demand and supply only.) **[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.
(1–5 for demand and supply only.) **[1–9]**

5 **(a)** Explanation of the use of a budget to determine revenue and changes in government expenditure. The role of fiscal policy in achieving government micro and macro economic aims.

L4 For a sound explanation of the analysis and a clear understanding of the relevance of fiscal policy. **[9–12]**

L3 For a competent comment but with limited development of the role of the budget and the relevance of fiscal policy for government aims. **[7–8]**

L2 For a brief explanation of revenue and expenditure but a weak link to fiscal policy. **[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) Explanation of the transactions, precautionary and speculative demand and discussion of the link to rate of interest. Interest rate link is relevant to the speculative demand.

L4 For a sound explanation of the three demands and a good discussion of the link to interest with a clear understanding with a conclusion. **[9–13]**

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

L2 For a brief explanation and with no clear explanatory link between the demands and interest 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]**

6 (a) Investment is determined by the rate of interest, the cost and efficiency of capital equipment, changes in consumer demand and expectations.

L4 For a good explanation with a comment on the determinants and with a comment on the significance of government policy. **[9–12]**

L3 For a fair explanation of the determinants but only a weak comment on the significance of government policy. **[7–8]**

L2 For a limited attempt to consider the determinants but little link to government policy. **[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]**

(b) Discussion of link between investment and output via the multiplier and subsequent effect on further investment via the accelerator.

L4 For a sound discussion with good explanation of the analysis and a clear understanding of the principles involved with a reasoned conclusion. **[9–13]**

L3 For a competent comment concentrating on one element – probably the multiplier. **[7–8]**

L2 For a limited discussion of the analysis but with only very brief development of the ideas. **[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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7 Candidates should comment on the relevance of the general descriptions of each type of country and suggest whether the criteria given are limited to only the type of country mentioned. They should then comment on the meaning of living standards and general influences on the standard of living with a brief comment on the value of different indicators, for example, GDP, GDP per capita, HDI.

L4 For a good discussion of both the general criteria, with a conclusion, and the difficulties of comparing living standards. **[18–25]**

L3 For a competent discussion of part of the question – probably that related to the explanation of living standards – with briefer comment on the second aspect of the question. Some attempt at a conclusion will be presented for 16/17. **[14–17]**

L2 For a brief comment on part of the question, with a weak explanation and with no 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 contains irrelevancies and errors of theory. **[1–9]**

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Section A

1 (a) Time period (1), relative change in output (1), removal of price effect (1). **[3]**

(b) Fluctuated after 2007 (1) but is still high (1), still above target (1), continues to grow (1), conclusion (1). **[4]**

(c) Explanation of efficiency/inefficiencies, production, allocation, (2 + 2): Examples included air and water pollution, traffic congestion, poor housing and overcrowding (1). **[5]**

(d) **2 × (example + method of control 2 + evaluation of method).** Two examples from the text (1 mark) with examples of possible policies – sustainable urban planning, low–carbon development, promoting improved public transit systems and improved water treatment rates, methods used, tax, regulation, subsidies, ownership. **[8]**

Section B

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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.

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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.

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Total Mark 13	1–4^{+}	5–6^{+}	7–8^{+}	9–13

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2 (a) Candidates should explain marginal utility theory and the allocation of expenditure between products.

L4 For a reasoned and clear explanation of the analysis mentioning the equilibrium position of the consumer involving more than one product. Explanation of change in equilibrium. **[9–12]**

L3 For a competent comment but with a limited elaboration of the analysis. Condition of equilibrium stated. **[7–8]**

L2 For a brief explanation concentrating on one product with only limited reference to the equilibrium position of allocation between different products. **[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) An approach based on the concepts of consumer and producer sovereignty and how different forms of market structure change the balance between these two concepts.

L4 For discussion of meaning of both producer and consumer sovereignty and a discussion of how either may affect the allocation of resources and the market price with a reasoned conclusion. **[9–13]**

L3 For a competent explanation which does not fully analyse both types of sovereignty. Full analysis of one type and limited analysis of the other. There will be some discussion. A limited conclusion required for 8th mark. **[7–8]**

L2 For an accurate though undeveloped explanation concentrating on only one type of sovereignty (probably consumer) with some attempt at analysis but only limited evaluation. **[5–6]**

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. **[1–4]**

3 (a) Diminishing returns 2 marks, total product 2 marks and marginal cost 2 marks for clear definitions. Diminishing returns; short run concept: adding more of one factor of production, while holding all others constant will at some point yield lower per-unit returns. Total product rises more slowly as diminishing marginal returns occur, and is a maximum when marginal product reaches zero. As marginal product rises, marginal cost falls and vice versa. Marginal cost is linked to average variable cost passing through its minimum point.

L4 For a sound explanation and accurate diagram of the analysis and a clear understanding of the principles and links involved. **[9–12]**

L3 For a competent comment; the diagram may not be quite accurate, and the link not fully explained. **[7–8]**

L2 For a weak explanation of the analysis and a poor diagram with several errors. **[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) Economies are not necessarily caused by integration. It is likely that a reason for integration will be some form of economy but the firm may have other aims for integration – e.g. market dominance, secure input supplies. Economies can be achieved within an existing firm. This does not mean that there is no place for small firms. Small firms have distinct market functions.

L4 For a sound consideration of the principles involved in integration and economies and a discussion on the reasons for small firms. **[9–13]**

L3 For a competent comment on economies but limited discussion on the existence of small firms or vice versa. **[7–8]**

L2 For a weak explanation of the economies and only brief mention of small firms. **[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 (a) 3 marks maximum each for transactions and precautionary, 6 for speculative. 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 motive. **[9–12]**

L3 For a competent explanation but with more limited comment on what each motive is dependent upon. **[7–8]**

L2 For a general but very brief explanation. **[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) 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.) The lower rate of interest will augment the increased spending and might well encourage more borrowing.
Lower interest causes price of securities to rise and may decrease demand for securities and increase idle balances of money in anticipation of buying when price falls. Lower interest may reduce demand for currency from foreign buyers, causing fall in exchange rate.

L4 For a reasoned discussion on transactions/precautionary – up to 4 on each; on speculative – up to 7, clearly structured answer with a reasoned conclusion. **[9–13]**

L3 For a competent discussion but with less development, transactions/precautionary up to 3 on each, speculative up to 5. A limited conclusion. **[7–8]**

L2 For a weaker attempt which gives only a brief comment and discussion. Transactions/precautionary up to 3, speculative up to 4. **[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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5 Discussion of the use of national income statistics, GDP and alternative measures, e.g. HDI. Consideration of indicators that might be used both quantitative and qualitative. Discussion of difficulties of comparing even the quantitative indicators in different cultures, climates and economic structures.

L4 For a thorough explanation of the indicators and a discussion of usefulness and a reasoned conclusion. **[18–25]**

L3 For a competent explanation but with a more limited discussion of the difficulties of comparisons, or with a concentration on one measure – probably GDP – and only brief mention of alternative indicators. A limited conclusion otherwise max 16. **[14–17]**

L2 For an accurate though undeveloped explanation with no mention of alternative indicators. **[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]**

6 Explanation of the role of interest in determining investment decisions; (high interest may not prevent investment but may discourage investment). Explanation of the link between interest and savings and spending and possibly on prices. Discussion of whether one opinion is correct and the other incorrect or whether both can be correct but which is appropriate depends on the current economic situation.

L4 For a thorough explanation of the role of interest to businesses and to saving/spending and an evaluative comment with a conclusion. **[18–25]**

L3 For a competent explanation with a concentration on either businesses or on saving/spending and with a more limited discussion of which opinion might be correct, but still with a conclusion. A limited conclusion otherwise max 16. **[14–17]**

L2 For an accurate though undeveloped explanation. **[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]**

7 **(a)** Explanation of supernormal profit; possible in perfect competition short run; imperfect competition in short and long run. Explanation of economic rent, contrasted with transfer earnings.

L4 For a sound explanation of both aspects of the theory clearly presented. **[9–12]**

L3 For a competent comment on both aspects of the analysis but with a more limited explanation of the conditions for the existence of supernormal profits. **[7–8]**

L2 For a weak explanation of the theory and no real recognition of the conditions for the existence of supernormal profit/economic rent. **[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) Explanation of wage determination, imperfect competition, whether there will be unemployment depends on how much 'exploitation' the imperfect market had before the trade union and where the final wage is determined through collective bargaining.

L4 For a sound explanation of the principles involved with a good explanation of the imperfectly competitive labour market, and a discussion of the range of wage negotiation possible with collective bargaining – with a conclusion.
(7–8 no marginal revenue product (MRP)) **[9–13]**

L3 For a competent comment on imperfect labour markets and with a more limited discussion on the final outcome, but still with a conclusion.
(5–6 no marginal revenue product (MRP)) **[7–8]**

L2 For a weak explanation of the theory and a very brief discussion with no conclusion.
(3–4 no marginal revenue product (MRP)) **[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.
(1–2 no marginal revenue product (MRP)) **[1–4]**

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Section A

1 (a) Brief explanation of productive efficiency, referring either to a production possibility curve (PPC) **or** to the lowest cost of production of a given output with an elaboration. 3 marks for either approach. **[3]**

(b) The machine idea is that the economy is best left without regulation. This does not work and there needs to be some government involvement, the economy is complex. Observations should be given as illustration. 2 marks for each side. **[4]**

(c) Comment on meaning of weak economy (1). Increase spending is an injection (1) multiplier process – and explanation, increase in income and growth (4). **[6]**

(d) Conclusion – there could be thought to be a conflict (1). Last sentence says consumer spending is main job creator. Previously article said government and regulation was necessary. The article previously said consumers were not always rational and things were not always efficient. 3 marks for each side with elaboration/illustration. Up to 4 marks for one side. **[7]**

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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.

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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 subsections

Level	1	2	3	4
Total Mark 12	1–4	5–6	7–8	9–12
Total Mark 13	1–4+	5–6+	7–8+	9–13

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2 (a) Explanation of marginal utility, comparison of marginal change in utility and marginal change in price and the link between consumer equilibrium and demand. The sum of individual demand curves form the market demand curve. Whether individual utilities can be added is debateable.

L4 For a reasoned explanation linked to more than one good and clearly structured answer which includes the relationship of individual curves to the market demand. **[9–12]**

L3 For a fair explanation but undeveloped answer that may concentrate on individual demand, has more than one good but does not link to the market; or tries to mention the market but does not deal with more than one good for individual equilibrium. **[7–8]**

L2 For a more limited attempt that deals briefly with utility and mentions the margin but does not show the equilibrium, nor more than one good and does not link to the 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]**

(b) Discussion of the relevance of marginal revenue and marginal cost for a profit maximising firm. Discussion of whether firms do indeed seek to maximise profit and, therefore, whether the marginal analysis is relevant.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved with a good attempt at discussing alternative aims. **[9–13]**

L3 For a competent comment on the margin but with limited elaboration of alternative aims. **[7–8]**

L2 For a weak explanation of the margin and only brief mention of alternative aims. **[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) Analysis of long run average cost, discussion of economies and diseconomies of scale; consideration of whether economies occur in smaller firms. A diagram is required.

L4 For a reasoned and clear description of the analysis, an accurate diagram and a discussion of the economies of scale. **[9–12]**

L3 For a competent comment but with either a limited elaboration of the analysis or a diagram showing the relationship between short and long run curves inaccurately. **[7–8]**

L2 For a brief description and an inaccurate and poorly presented diagram and brief discussion of economies. **[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) Description of one imperfect market where collusion occurs. The most usual comparison will probably be oligopoly – although a 'legal' rather than theoretical monopoly may also be used – and a perfect market (possibly even a natural monopoly) in terms of size of firms, freedom of entry, output determination, types of product, information sharing.

L4 For a reasoned and clear discussion of the analysis of two market structures. **[9–13]**

L3 For a competent comment but with a limited elaboration of the differences. **[7–8]**

L2 For a brief discussion concentrating on one market, or a very brief comment on two markets. **[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 unemployment and wage determination using marginal revenue product. Depends whether it has been related to an increase in productivity, involves trade unions pushing up wages, or how government minimum wage policy is related to the market price. The long term effects would also depend on whether the industry is experiencing seasonal unemployment, cyclical unemployment or structural.

L4 For a consideration of unemployment causes and a thorough understanding of the analysis of wage determination with a good discussion of the link between the two. There should be a conclusion and a well-structured answer.
(14–17 for demand and supply only.) **[18–25]**

L3 For a good explanation of unemployment but a weaker explanation of wage theory and poorer link between the two with limited differences in possible outcomes. There should still be a conclusion.
(10–13 for demand and supply only.) **[14–17]**

L2 For a correct but undeveloped explanation with only a brief link between the theory and possible employment outcomes and no real conclusion.
(6–9 for demand and supply only.) **[10–13]**

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

5 **(a)** Explanation of meaning of fiscal policy, most likely effect would be from increased taxes, either indirect on sales (the outcome would depend on demand elasticity) or direct on company profits/consumer incomes; it is unlikely that the policy would be a subsidy as they were badly affected.

L4 For a reasoned and clear explanation of the analysis of different types of taxes and of wage policy. **[9–12]**

L3 For a competent comment on either direct or indirect taxes and a briefer comment on wage policy. **[7–8]**

L2 For a brief explanation of both fiscal and wage policy, or a more developed explanation of one aspect but no explanation of the other. **[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) Competition in the statement is from large businesses so it is really imperfectly competitive market. Expect some comment on the outcome of competition, – choice, reduced prices – but also price fluctuations, excess profits, inequality in the distribution of incomes, possible market failure.

L4 For a reasoned discussion on possible outcomes of competition, positive concerning choice and prices and negative with possible market failures. **[9–13]**

L3 For a competent discussion but with less development or a concentration on one side of the discussion. **[7–8]**

L2 For a weaker attempt which gives only a brief 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]**

6 (a) Explanation of effect on savers, borrowers, business investment, speculators. Higher rates; greater likely return on saving, increased cost of borrowing in order to finance expenditure. Conversely for lower rates. Different reactions might also depend on factors such as income; age of person; career situation; employment prospects; need for single large expenditure in future; time of year, e.g. holidays. Candidates could also mention the proportion of income that is spent or saved which may vary depending on the level of income.

L4 For a sound explanation of the analysis and a clear understanding of the principles involved. **[9–12]**

L3 For a competent comment but with limited elaboration. **[7–8]**

L2 For a correct explanation of part of the analysis, 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) Low rates might stimulate borrowing (unless banks are unwilling to lend) and investment and hence government aims of employment, economic growth. Low rates might lower exchange rate as less demand for currency and increase exports (unless there is a general recession and demand doesn't increase), reduce imports. This may help balance of payments but may help aim of low inflation.

L4 For a reasoned discussion on effects on at least three macro aims with conclusion.**[9–13]**

L3 For a competent discussion but with less development on three macro aims or a fuller discussion and development on two macro aims. Need conclusion for 8. **[7–8]**

L2 For a weaker attempt which gives only a brief 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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7 There should be an explanation of characteristics of a developing economy; there should then be a comment on the statement recognising that not all these things happen, that even if they do they may not always be extensive, and that the statement is one-sided. A comment should be made of the positive side of development and a conclusion presented.

L4 For a discussion of the factors which are involved in the analysis of each the stages of the argument together with a conclusion. **[18–25]**

L3 For a competent discussion of part of the argument – probably that related to the explanation of the characteristics and the disadvantages of development – with briefer comment on the positive aspects. Some attempt at a conclusion will be presented. **[14–17]**

L2 For a brief comment on part of the argument, with a weak discussion and with no 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 contains irrelevancies and errors of theory. **[1–9]**

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