Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2016**

MARK SCHEME

Maximum Mark: 70

Published

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

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Section A

1 (a) explanation (2), fiscal: subsidies, investment, government expenditure; (1) monetary: low interest rates; increased bank lending, increased money supply (1) [4]

(b) unemployment caused by technological change or new methods of production (technological). (1) Technological change usually requires new training or possibly occupational or geographical mobility. Presumably it was thought that the training could not be achieved by the less skilled and elderly. (2) [3]

(c) Short run equilibrium may not coincide with the sustainable full-employment level of real output – the level at which the economy is achieving its economic potential. Aggregate demand may be insufficient. Diagram, 1 for labels, 1 for equilibrium, 1 for potential equilibrium, explanation 2 [5]

(d) policies included raising the minimum wage, increasing unemployment benefits, increasing money supply, increasing public sector jobs. Some thought the new jobs would not be able to be taken by the unemployed because of lack of skills.

Others thought the creation of new jobs was a good policy and resulted in a long term increase in employment. They also supported government investment, particularly as investment could be financed by relatively cheap borrowing. They opposed credit expansion in the private sector. Evidence was given about long-term job creation but not much else. [8]

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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).

18–22 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.

23–25 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.

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 The answer should consider the initial proposition and comment on its validity. It should then identify and describe the necessary conditions for efficient resource allocation and consider whether it can be achieved by the 'invisible hand' of the market and whether this is because of the complexities of a modern economy. [25]

L4 *For a reasoned and clear discussion with accurate development of theory and good links to the statement together with a reasoned conclusion.* *[18–25]*

L3 *For a competent comment together with limited elaboration of the analysis or imprecise links to the statement. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion.* *[14–17]*

L2 *For a brief explanation but weak or ill-explained links to the statement. The explanation will be undeveloped with some attempt at analysis but only limited evaluation.* *[10–13]*

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

3 **(a)** Explanation of the construction of an indifference curve and determination of equilibrium with given income and given prices using budget lines. Derivation of a point on the demand curve from the equilibrium point. [12]

L4 *For a sound explanation of indifference curves and a clear link to the demand curve with accurate clear diagrams and a clear understanding of the principles involved* *[9–12]*

L3 *For an accurate reference to the question but with a more limited explanation, perhaps omitting a clear link to the demand curve, or with minor errors in the analysis or in the diagrams* *[7–8]*

L2 *For a briefer explanation of indifference curves and equilibrium position but with no link to the demand curve; or with inaccurate diagrams and weak explanation.* *[5–6]*

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

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(b) A price fall is reflected in a change in the budget line (pivot from point on axis of good with no price change) with a subsequent change in equilibrium. The equilibrium change involves substitution and income effects. Substitution effect would be in the opposite direction to the price change. The income effect represented by a parallel shift of the budget line is in the same direction as the substitution effect for the normal good but in the opposite direction, and greater than, the substitution effect for the Giffen good. [13]

L4 *For a reasoned and clear discussion, logically presented dealing with income, substitution, normal, Giffen and linked to demand.* *[9–13]*

L3 *For a fair but undeveloped discussion probably concentrating on income, substitution without mentioning different types of goods with either a brief comment about the individual demand curve or no discussion about the demand curve* *[7–8]*

L2 *For a limited explanation with a lack of development of both income/substitution and normal/Giffen goods* *[5–6]*

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

4 The question presents an assertion. Candidates should discuss whether the theory does explain differentials in wage rates, and comment on the conclusion presented. The examples given can be used to illustrate the answer, reference may be made to the private/public sector examples and possible political issues in fixing wage rates. [25]

L4 *For a thorough analysis of theoretical wage determination together with a comment on the conclusion of the argument. 18–25 (14–17 for demand and supply only although the answer contains a full discussion of the argument)*

L3 *For a competent explanation of wage theory but with a more limited discussion of the conclusion. 14–17 (10–13 for demand and supply)*

L2 *For a correct but undeveloped theoretical analysis with no comment on the conclusion in the statement. 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) Comment on the link between the firm and industry, the importance of mc = mr, the possibility of abnormal profit in the short run and the changes in demand or supply resulting in normal profit in the long run. [12]

L4 *For a sound comment with good explanation of the analysis and a clear understanding of the link between the firm and industry and the possible change between the short run and the long run.* *[9–12]*

L3 *For a competent comment but with more limited explanation of the link between the firm and industry or a limited explanation of the change between the short run 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]*

(b) An outline of the main conditions necessary for effective price discrimination. Should include, separate markets, different elasticities and possible benefits for the firm – and maybe consumer – if price discrimination allows costs to be covered. [13]

L4 *For a sound explanation of price discrimination and a clear understanding with a conclusion* *[9–13]*

L3 *For a competent comment but with limited discussion and a weaker conclusion.* *[7–8]*

L2 *For a brief explanation of the concept and a weak comment on the possible advantages 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]*

6 (a) Candidates can chose any three major macroeconomic aims and comment how achieving them might cause conflicting results.

L4 *For a sound explanation of the aims and a clear understanding of possible conflicts between them* *[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 aims and a weak comment on the possibilities of conflict.* *[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) Approval for major projects may affect employment, incomes, demand, revenues, compensation, resource use, trade balances, investment decisions with consequent implications for national income, growth and standards of living.

L4 *For a reasoned discussion and clearly structured answer dealing with the application of policies and a judgemental comment on their influence.* *[9–13]*

L3 *For a discussion, but without such a full development or without a clear indication of the link between the micro policy and the macro implications and with a weaker conclusion.* *[7–8]*

L2 *For a limited but acceptable attempt to discuss policies in general terms with only a weak judgement on 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]*

7 **(a)** Description of the nature of a developing economy in terms of its GDP, GDP per capita, productive capacity, standards of living, health, education, sanitation, occupational structure of the population, age structure of the population with a comment on the key elements which need to be developed. [12]

L4 *For a sound description with clear understanding of the characteristics and a clear conclusion* *[9–12]*

L3 *For a competent description but with limited development and no comment about which elements need to be developed.* *[7–8]*

L2 *For a general description of only some of the factors 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) Candidates may write about the use of GDP, GDP per capita, HDI, MEW but they should comment on the reason why they have chosen the indicator they use. They should also comment on the effectiveness of the indicator. [13]

L4 *For a sound comment with clear understanding of the effectiveness of the indicator and a clear conclusion* *[9–13]*

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

L2 *For a general description with little comparison of merits 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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Section A

1 (a) Brief explanation of monetary policy, a change in the rate of interest, or a change in money supply or a change in exchange rate (1): interest rates, bond policy, quantitative easing, exchange rate (2 from 4) **[3]**

(b) Explanation of increase output (1) increase in the rate of change of output (2).

Growth might result in investment in capital, technological development, development of the infrastructure, investment in human capital, an increase in exports (I for simple statement + 1 for development of statement) **[4]**

(c) Explain the concept of a balance of payments deficit(1). Balance of payments deficit and link to pressure on currency. (2).

Reasons for pressure on currency in India, Indonesia, Turkey and Brazil Federal Reserve's decision to reduce bond purchases (1) + (1 for development) or Lack of domestic economic reform (1+1). Conclusion(1) **[6]**

(d) Reducing bonds purchases reduces the price of bonds, this leads to interest rate increases. (2) Effects on economy: Potentially it could damage investment in new projects as borrowing cost is increased, this would have a negative effect on growth. Reduced consumption, investment, increases exchange rates and reduces exports. (4) Conclusion (1) **[7]**

(MAX 2 marks if reduced interest rate effects correctly explained)

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Mark 10–13 (Linked to level two in individual question notes).
10–11 where there is evidence of an ability to identify facts or some ability at graphs and/or a fair ability to apply known laws to new situations.

There should be an accurate although undeveloped explanation of the facts relating to the question together with an explanation of the theory, and evidence of some ability to discriminate and form elementary judgements. Do not expect a clear logical presentation. There will not be much evidence of the ability to recognise unstated assumptions, nor to examine the implications of a hypothesis, nor of the ability to 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.

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

18–22 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.

23–25 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

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2 The answer should consider the initial proposition and comment on its validity. Economic theory uses the concept of efficiency to achieve maximum welfare. Candidates should then identify and describe the necessary conditions for efficient resource allocation and consider how/whether it can be achieved. **[25]**

L4 *For a reasoned and clear discussion with accurate development of theory and good links to the statement together with a reasoned conclusion. [18–25] (max 20 no conclusion)*

L3 *For a competent comment together with limited elaboration of the analysis or imprecise links to the statement. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion. [14–17] (max 16 no conclusion)*

L2 *For a brief explanation but weak or ill-explained links to the statement. The explanation will be undeveloped with some attempt at analysis. [10–13]*

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

3 **(a)** Explanation of DMU and its link to equilibrium price and through changes in price to the demand curve for the individual. Accept Indifference Curve analysis. Market demand is derived from summation of individual demand curves. **[12]**

L4 *For a sound explanation of the analysis and a clear understanding of the link to individual and then market demand. Need to provide some evaluative comment for L4. [9–12] (max10 no ref to Market Demand)*

L3 *For a competent comment but with limited development of the analysis, maybe with weak link to the market demand, or weak link between utility and demand. [7–8]*

L2 *For a brief explanation of utility but no 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]*

(b) Advertising would alter the demand curve in two possible ways. It could cause an increase in the quantity demanded, represented by a shift of the curve outwards to the right. Also, it might make the demand for the product more inelastic. This would change the shape of the demand curve. The theory of diminishing utility is still valid. **[13]**

L4 *For a sound discussion with good explanation of the analysis and a clear understanding of how advertising can both change the shape of the demand curve and also the shift of the demand curve, with a conclusion. [9–13] (max 11 no conclusion)*

L3 *For a competent comment but with limited development of the analysis of both or deals with only one. [7–8]*

L2 *For a brief explanation and with a weak explanatory link between advertising and 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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4 Explanation of the meaning of equilibrium in perfect competition and monopoly. Comparison of equilibrium in perfect competition and monopoly in both short run and long run. Both structures will be in equilibrium in the short run and long run, however perfect competition can only make normal profits in the long run. **[25]**

L4 *For a reasoned and clear explanation of the concept of equilibrium applied to both perfect competition and monopoly with accurate development of theory and good comparison between short run/long run, and perfect competition and monopoly together with a reasoned conclusion. [18–25] (max 20 no conclusion)*

L3 *For a competent comment together with a more limited elaboration of the analysis or imprecise comparisons. Short run and long run analysis is limited. There should still be a conclusion. [14–17] (max 16 no conclusion)*

L2 *For a brief explanation but weak or ill-explained comparisons. The explanation will be undeveloped with some limited analysis. [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]*

5 **(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 there **must** be 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 but no reference to their own country. [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]*

(b) Discussion of the potential conflicts between the aims. Full employment and growth may be possible, but either may cause increased demand and may cause inflation/balance of payments problems. **[13]**

L4 *For a sound discussion with clear debate about the potential conflicts with a conclusion. [9–13] (max 11 no conclusion)*

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

L2 *For a brief explanation and general description of the potential conflicts. [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 (a) Explanation of the theory of wages which deals with both supply and demand factors. Given a similar demand, (mrp), the wage level would change if mrp changes (increase in productivity) supply (and elasticities) were different in different occupations, similarly the wage level would be different with different demand (and elasticity) schedules trade unions **[12]**

L4 *For a sound explanation of the analysis and a clear understanding of the principles involved in perfect markets.* *[9–12] (D/S only, no mrp, 7–8)*

L3 *For a competent comment in a perfect market but with a limited development of the analysis.* *[7–8] (D/S only, no mrp, 5–6)*

L2 *For a correct explanation of a limited part of the analysis – perhaps concentrating on supply.* *[5–6] (D/S only, no mrp, 3–4)*

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] (D/S only 1–2)*

(b) Analysis of wage theory in imperfectly competitive labour market. Trade unions and government may influence wage rates. The fixing of a higher wage may lead to unemployment depending on its level compared with the original wage and the extent of 'exploitation' in the fixing of the original wage. **[13]**

L4 *For a sound explanation of the analysis and a clear understanding of the principles involved in imperfect markets. with a conclusion.*
[9–13] (D/S only, no mrp, 7 -8) (max 11 no conclusion)

L3 *For a competent comment of an imperfect market but with a limited development of the analysis or a recognition of only one possibility.* *[7–8] (D/S only, no mrp, 5–6)*

L2 *For a correct explanation of a limited part of the analysis.* *[5–6] (D/S only, no mrp, 3–4)*

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] (D/S only 1–2)*

7 (a) The question gives a comparison of income per head. The figures do suggest a divergence in the standard of living but they conceal the point that certain factors should be taken into account before an exact comparison can be made. The distribution of income is an important factor, others are non-monetary income from subsistence agriculture and home production, the use of income for consumption and for other purposes and the different consumption patterns, the different climates. **[12]**

L4 *For a sound comment with clear understanding of the difficulties of comparison, expect alternative measures and a clear conclusion.* *[9–12] (max 10 no conclusion)*

L3 *For a competent comment but with limited development.* *[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) Candidates should present a reasoned argument about what they consider to be the most important, or main differences. Look for a direct comparison, for example, in terms of population structure, employment, production, growth rates, income distribution, consumption patterns rather than a simple list of characteristics. **[13]**

L4 *For a reasoned discussion and clearly structured answer mentioning at least four differences together with a conclusion. [9–13] (max 11 no conclusion)*

L3 *For a discussion, but without such a full development or with three major differences. [7–8]*

L2 *For a limited but acceptable attempt to discuss a couple of differences. [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) Explanation of value of currency in terms of other currencies. Interest rate rise should cause an increase in demand for currency which increases its value. It was hoped that the currency would appreciate. **[2]**

(b) 2 for descriptive distinction, 2 for examples **[4]**

(c) Increasing interest rates makes borrowing more expensive, less demand, less pressure on prices, possible reduction in the rate of inflation. High rates makes savings more attractive so there is an increased demand for the currency. If the country was in recession high rates might make the situation worse as growth in output would be reduced. The article mentions the effect on inflation, economic growth, effect on imports/exports, effect on trade, effect on developed as well as developing countries. **[8]**

(d) Only one year, do not know how the figure compares to previous year, so cannot compare changes. However, high rates in Brazil, Argentina, Turkey with inflation higher than other countries; Low rates in UK, Germany with lower inflation than other countries. No consistent conclusions about link between interest rate and growth – e.g. high rate in Argentina, low growth; high rate in Turkey, higher growth than other countries. **[6]**

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Mark 10–13 (Linked to level two in individual question notes).

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

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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).

18–22 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.

23–25 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.

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 The answer should consider the initial proposition – there is a premise concerning the theoretical analysis. The curves do show the relation between goods and although levels of income and prices are not shown on the diagrams the analysis rests on the assumption of a given income and given prices. Changes in either can be reflected in the analysis and can be linked to a demand curve. **[25]**

L4 *For a reasoned and clear discussion with accurate development of theory and good links to the statement together with a reasoned conclusion.* *[18–25]*

L3 *For a competent comment together with limited elaboration of the analysis or imprecise links to the statement. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion.* *[14–17]*

L2 *For a brief explanation but weak or ill-explained links to the statement. The explanation will be undeveloped with some attempt at analysis but only limited evaluation.* *[10–13]*

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

3 **(a)** Explanation of the characteristics of both markets in terms of price determination, profit levels, branding, size, barriers to entry. **[12]**

L4 *For a sound explanation of the analysis and a clear understanding mentioning at least four comparisons.* *[9–12]*

L3 *For a competent comment but with limited development of the analysis or a fuller analysis of three comparisons.* *[7–8]*

L2 *For a brief explanation of the characteristics and a weak comment or a fuller explanation of only two comparisons.* *[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 two types of market structure. Long run profit will be normal in perfect competition but not necessarily so in monopoly which usually results in higher prices in monopoly. Output is likely to be lower in monopoly. However, economies in monopoly may lead to lower prices. **[13]**

L4 *For a sound discussion with good explanation of the analysis and a clear understanding of the differences between the two market structures, allowing for economies and possible lower prices, 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 (a) Explanation of meaning of terms. Economic rent and transfer earnings should be shown on a wage diagram. The amount of each may change with the fixing of a minimum wage but the extent will depend on whether the wage is fixed above of below the original equilibrium. If below the minimum wage has no effect, if above, supply is horizontal and economic rent disappears. **[12]**

L4 *For a sound explanation of the analysis and a clear understanding of the principles involved in perfect markets. [9–12] (D/S only, no mrp, 7–8)*

L3 *For a competent comment in a perfect market but with a limited development of the analysis. [7–8] (D/S only, no mrp, 4–5)*

L2 *For a correct explanation of a limited part of the analysis – perhaps concentrating on supply. [5–6] (D/S only, no mrp, 3–4)*

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] (D/S only 1–2)*

(b) Analysis of wage theory would give different wages depending on the market forces of supply and demand for labour but in imperfect competition institutional factors – unions and government – need to be included. Whether market forces or institutions are more significant will vary between industries. **[13]**

L4 *For a sound explanation of the analysis and a clear understanding of the principles involved together with a judgement on the relative significance of market/institutional factors [9–13] (D/S only, no mrp, 7–8)*

L3 *For a competent comment but with a limited development of the analysis and an imprecise conclusion about the significance. [7–8] (D/S only, no mrp, 4–5)*

L2 *For a correct explanation of a limited part of the analysis. No conclusion. [5–6] (D/S 3–4)*

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] (D/S only 1–2)*

5 (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 the links between the aims. Full employment and growth may be possible, but either may cause increased demand and may cause inflation. **[13]**

L4 *For a sound discussion with clear debate about the links with a conclusion.* *[9–13]*

L3 *For a competent comment but with limited development of the analysis 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]*

6 **(a)** Description of the nature of a developing economy in terms its GDP, GDP per capita, productive capacity, standards of living, health, education, sanitation, occupational structure of the population, age structure of the population with a conclusion as to whether low income per person is the distinguishing feature. **[12]**

L4 *For a sound description with clear understanding of the characteristics and a clear conclusion related to the question.* *[9–12]*

L3 *For a competent description but with limited development but with a conclusion.* *[7–8]*

L2 *For a general description of only some of the factors 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 problems of comparing national income over time between countries; for example, price changes, population changes, quality of goods, externalities, income distribution, subsistence farming/home production, climate, cultural issues and consumption patterns. Better answers should try to comment on the significance of the factors to developing countries rather than just give a general description. **[13]**

L4 *For a sound comment with clear understanding of the difficulties of comparison and a clear conclusion which relates the factors to developing countries.* *[9–13]*

L3 *For a competent but less developed comment and limited link to developing countries.* *[7–8]*

L2 *For a general description of only some of the factors 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.*

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7 The answer should consider the initial proposition – there is an premise and a conclusion – and comment on its validity. This involves identifying and analysing the necessary conditions for efficient resource allocation and considering whether efficiency can be achieved by the price mechanism.

[25]

L4 *For a reasoned and clear discussion with accurate development of theory and good links to the statement together with a reasoned conclusion.* *[18–25]*

L3 *For a competent comment together with limited elaboration of the analysis or imprecise links to the statement. There will be some discussion but the evaluation will not be fully developed or extensive. There should still be a conclusion.* *[14–17]*

L2 *For a brief explanation but weak or ill-explained links to the statement. The explanation will be undeveloped with some attempt at analysis but only limited evaluation.* *[10–13]*

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

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