Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2017**

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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LEVELS OF RESPONSE MARKING DESCRIPTIONS FOR ESSAY QUESTIONS

Please also see the mark scheme for each part of each essay, detailing the ranges of marks to be awarded for each Level, and some illustrative content.

Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L4	detailed knowledge of relevant facts and theory perceptive understanding of the specific requirements of the question throughout the answer	relevant, apposite illustrations and specific examples are introduced to add depth and fullness to the answer recognises the underlying economic concepts and principles and applies these in relevant situations to develop the answer	detailed, precise and purposeful description, explanation and analysis using appropriate economic terms and concepts correctly and fluently draws clear, reasoned conclusions a sound, well-structured answer	critical evaluation of the issues, considering relevant information and economic principles distinguishes between facts, hypotheses and/or value judgements challenges assumptions of the question or model
L3	adequate knowledge of relevant facts and theory a reasoned understanding of the question's requirements shown in the answer	some appropriate relevant illustration or examples seen but they may be quite general or not very full applies theory and facts with accurate reference to the question to develop the answer	straightforward, satisfactory analysis: generally clear statements, supported by reasoned arguments including some specific economic terms and concepts draws some conclusions a functionally organised answer	partly complete evaluation of the issues in terms of either relevant information or economic principles attempt to distinguish between facts, hypotheses and/or value judgements attempt to comment on assumptions
L2	identifies some relevant facts and/or theory the answer overall has a general relevance to the question, showing some understanding	illustration may not be fully relevant and is superficial or overgeneralised an accurate application of some related theory or fact(s), with little or no development	some analysis present but limited by omissions, error(s), irrelevant details or unclear communication conclusions may not be drawn from it a disorganised answer	some evidence of an ability to evaluate, discriminate, or to make basic judgements, considering some relevant information

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Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
L1	shows some relevant knowledge the answer indicates that the question has not been correctly understood	barely relevant, minimal or tangential illustration basic errors of theory or of fact with inadequate development	any analysis present is likely to have major errors, omissions or be mostly irrelevant	minimal or no evidence of the evaluation skills of criticism, judgement or discrimination in the answer

Question	Answer	Marks
1(a)	the value of the production of goods and services in the United States, in a given period, adjusted for price changes, not taking account of depreciation	**3**
1(b)	changes can affect exchange rates, demand for exports, cost of imports, level of spending, examples from extract	**4**
1(c)	briefly explain circular flow of income, 2, the items listed are all the major components of aggregate demand. Consumption expenditure increased but at a slower rate.1. Exports decreased.1. The overall absolute change is uncertain as the information does not give absolute levels but it is likely that the slow increase or fall in injections accounts for the change in GDP through multiplier process 2.	**6**
1(d)	house price rises, fall in unemployment, wage increases, lack of price rises could all encourage spending. Falling oil prices may have encouraged investment, inflation elsewhere may have made US exports comparatively cheaper. 1 for identifying, 1 for explaining (×3) 1 for conclusion	**7**

Question	Answer	Marks
2	Explanation of efficiency. Competitive markets may achieve efficient outcomes but individual actions are not always best for society as a whole. Further, privatisation does not necessarily mean increased competition. Discussion of reasons for market failure and necessity/desirability of government intervention to achieve efficiency. This could be by persuasion (nudge theory) rather than by enforcement. Nudge theory, originally an ethical idea not a government manipulative tool, involves designing choices to encourage decision making in wider positive interests of society. But it can be used in government context. *L4 for an accurate discussion of efficiency and competition, privatisation, market failure, with examples and a conclusion about the need for government intervention.* **18–25** *L3 for a competent explanation of productive and allocative efficiency and more limited discussion of whether privatisation necessarily results in more competition, and of the reasons for market failure and the need for government.* **14–17** *L2 for a briefer analysis of efficiency and of market failure with few examples and no comment about whether privatisation is the same as increased competition and no conclusion.* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

Question	Answer	Marks
3	Explanation of indifference curves, income, substitution of a price change. These can then be related to a demand curve to show the effect on demand of a price change and determine the possible change in revenue, and maybe profits, depending on the type of good. *L4 for a reasoned and clear discussion, logically presented dealing with income, substitution, link to the demand curve, and clear link to importance for manufacturers. Maximum 21 with no conclusion.* **18–25** *L3 for a fair but undeveloped discussion probably concentrating on income, substitution effects without a clear link to demand, or without a clear analysis of the possible effect on manufacturer's revenue through elasticity.* **14–17** *L2 for a briefer comment on income/substitution, no link to demand, no pertinent comment on revenue/elasticity or normal/inferior goods* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

Question	Answer	Marks
4(a)	Analysis of role of mc with mr as maximum profit point. AVC significant if sub-normal profits are being made. *L4 for a sound explanation and a clear understanding of the principles involved for both mc and avc.* **9–12** *L3 for a competent comment but with limited elaboration probably concentrating on mc but with brief reference to avc* **7–8** *L2 for a correct but brief reference to both aspects or fuller reference to one aspect and no comment on the other.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**

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Question	Answer	Marks
4(b)	Meaning of prisoner's dilemma. Firms that are interdependent cannot act independently of each other. A firm operating in a market with just a few competitors must take the potential reaction of its closest rivals into account when making its own decisions and anticipate the likely response of a rival to any given change in their price, or non-price activity. They need to devise possible options based on how they think rivals might react. Oligopolists have to make strategic decisions, such as -whether to compete/collude with rivals, raise/lower/keep price constant. Introduce new strategy or follow others. *L4 for a sound explanation with good illustrations and a clear understanding and discussion of the principles involved of both* **9–13** *L3 for a competent comment on either the dilemma but with limited development of the application to oligopoly, or vice versa.* **7–8** *L2 for an undeveloped comment on the dilemma with only a brief application to oligopoly.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
5(a)	Explanation of perfect market demand (mrp) supply and determination of wage rate in the market and also for the firm. *L4 for a sound explanation and a clear understanding of the principles involved* **9–12** **(7–8 D&S)** *L3 For a competent comment but with limited elaboration. No mrp maximum L3* **7–8** *L2 for a briefer explanation, probably not fully explaining the equilibrium.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**

Question	Answer	Marks
5(b)	Wage rate likely to be reduced, unless collective bargaining raises it, mrp will move left as MR no longer = to AR, so MPP x MR is lower. Employment probably reduced unless union negotiates or there is a government wage. Really need mrp analysis show the changes. *L4 for a thorough analysis of wage determination with a clear comparison of perfect and imperfect markets.* **9–13** *L3 for a weaker analysis and critique of the possibility of the changes probably concentrating on wage level.* **7–8** *L2 for a correct but undeveloped analysis with only a brief discussion and no real conclusion* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
6	Each part of the statement should be considered. There should be a discussion of whether there are many difficulties in measuring living standards and reasons given for the conclusion on this part of the question. There should then be a consideration of whether it is possible to compare one country with another and discuss what use the statistics might be. There should be an overall conclusion. *L4 for a thorough explanation of the difficulties of measuring living standards and a clear conclusion to the assertion followed by a consideration of the usefulness of using the statistics to make comparisons.* **18–25** *L3 for a competent explanation of the difficulties but with a limited conclusion. There will be some consideration of comparison between countries but this will not be fully developed or extensive.* **14–17** *L2 for an accurate though undeveloped explanation with some attempt at analysis but only limited evaluation. No real conclusion.* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**

Question	Answer	Marks
7(a)	There is a distinction between monetary policy and fiscal policy. Monetary policy involves measures to influence economic activity, specifically by manipulating the supplies of money and credit and by altering rates of interest. Fiscal policy influences the economy by the use of taxation and government spending. Supply side policy aims to influence aggregate supply. Supply side policies refer to factors affecting the quantity or quality of goods and services produced. This includes the level of productivity, investment in research, the training of labour. This can be linked to fiscal policy through tax incentives, government subsidies, government spending, or monetary policy through interest rate changes. Provision of information, wage legislation, regulation, deregulation, trade incentives do not overlap as much. *L4 for a sound explanation of the analysis and a clear understanding of the three types of policy.* **9–12** *L3 for a competent comment but with more limited explicit explanation of the distinction* **7–8** *L2 for a brief explanation and with no explicit comment on any distinction* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
7(b)	Fiscal policy can be used through tax changes, direct and indirect, or through government spending – welfare payments, grants. Monetary policy can be used to affect savings and potential future earnings, investment and potential employment. Supply-side policies can be used to encourage training and skills and potential increases in wages, competition an regulation to keep prices lower, minimum wages to encourage people to work. *L4 for a reasoned and well-argued discussion with clear explanation of possible income changes and the relevance of each policy group, with a conclusion. 10 maximum if no conclusion.* **9–13** *L3 for a clear but undeveloped discussion of possible influences on income from all three groups of policy, or a fuller discussion of two groups.* **7–8** *L2 For a limited attempt to consider the question but without a balanced approach, limited to one or two groups and with no conclusion.* **5–6** *L1 for an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

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L3	adequate knowledge of relevant facts and theory a reasoned understanding of the question's requirements shown in the answer	some appropriate relevant illustration or examples seen but they may be quite general or not very full applies theory and facts with accurate reference to the question to develop the answer	straightforward, satisfactory analysis: generally clear statements, supported by reasoned arguments including some specific economic terms and concepts draws some conclusions a functionally organised answer	partly complete evaluation of the issues in terms of either relevant information or economic principles attempt to distinguish between facts, hypotheses and/or value judgements attempt to comment on assumptions
L2	identifies some relevant facts and/or theory the answer overall has a general relevance to the question, showing some understanding	illustration may not be fully relevant and is superficial or overgeneralised an accurate application of some related theory or fact(s), with little or no development	some analysis present but limited by omissions, error(s), irrelevant details or unclear communication conclusions may not be drawn from it a disorganised answer	some evidence of an ability to evaluate, discriminate, or to make basic judgements, considering some relevant information

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Level	**Knowledge and understanding**	**Application**	**Analysis**	**Evaluation**
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Question	Answer	Marks
1(a)	**Identify three changes in the economic indicators in Table 1 that could be used to explain why households should have benefitted from the economic recovery.** Lower inflation rates (5.2% → 1.2%), lower interest rates, rising house prices, lowering of household debt to income ratio.	**3**
1(b)	**Use evidence in the information to explain why some households 'faced a fall in living standards' even though unemployment continued to decrease.** Wages growth lower in 2014 than 2008, wages growth lower than rate of inflation in both 2008 and 2014 therefore real household disposable income per head is less in 2014 than in 2008. Lower interest rates. Lost jobs in public sector**.** **2 × (1+1 Explanation)**	**4**
1(c)	**Analyse why entrepreneurs in the private sector would have been encouraged to create more jobs during the economic recovery.** Job losses in the public sector; recovery not strong in construction, agriculture and production. Lowest ever interest rates (0.5%) encourages investment. lower wages growth (3.2% reducing to 0.7% which is lower than inflation rate), allows entrepreneurs to reduce costs per unit of labour employed. Potentially higher profits if wage increases are below price increases. **3 × (1+1 Development) max 5**	**5**
1(d)	**Identify two economic policies in the information and consider to what extent there is evidence to indicate that while these policies may lead to a recovery of the economy the benefits are uneven.** Answers must **show positive and negative effects of 2 macro policies** and how these effects may affect **different groups**. Policies: fiscal policy-cutting govt. spending; monetary policy –interest rate, QE/Money supply; supply-side policy – encouraging more private activity. **2 × (1 Policy+1+explanation+1 benefit+1 limitation)** **Max 6 marks if 2 examples are from same policy group and benefits and limitations are repeated.**	**8**

Question	Answer	Marks
2(a)	**Explain what is meant by economic efficiency. Analyse what happened to economic efficiency in that country as a result of this movement** **Explanation of meaning of economic efficiency and explanation of the analysis which ensures an efficient optimum may be reached. Productive efficiency will increase but it is not possible to tell whether this movement to the curve achieves allocative efficiency.** *L4 for a thorough explanation dealing with productive and allocative efficiency and a comment on **both** efficiencies in relation to the PPC.* **9–12** *L3 for a competent but less developed explanation of both the terms or a developed explanation of one of the terms with accurate but limited discussion about the movement.* **7–8** *L2 for a correct but brief explanation with some attempt at analysis possibly with only one type of efficiency correctly elaborated.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
2(b)	**Discuss whether government intervention in the economy is a necessary and sufficient condition for overcoming inefficiency in resource allocation.** **Individual actions are not always best for society as a whole. Discussion of reasons for market failure and necessity/desirability of government intervention to achieve efficiency. This could be by persuasion (nudge theory) rather than by enforcement. Nudge theory, originally an ethical idea not a government manipulative tool, involves designing choices to encourage decision making in wider positive interests of society. But it can be used in government context. Government intervention may thus be necessary, but it need not be sufficient to overcome inefficiency as there may be inefficiency in government through lack of information.** *L4 for an accurate discussion of market failure, with examples and a conclusion about the need for government intervention and whether such intervention is necessary **and** sufficient.* **9–13** *L3 for a more limited discussion of the reasons for market failure and the need for government but **without** a comment on whether such intervention is sufficient to overcome market failure* **7–8** *L2 for a brief analysis of market failure with few examples and no conclusion about necessity or sufficiency* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
3(a)	**Analyse how indifference curve theory explains why a consumer will normally buy more of a good at a lower price than at a higher price.** **Explanation of indifference curves, equilibrium point, b) link between indifference curves and demand curve c) discussion of how reduced price can affect equilibrium/demand for a normal product, shift of budget line.** *L4 for a reasoned answer with a conclusion illustrating all the points, shape of curve, equilibrium, construction of demand curve, change in price, change in demand,* **9–12** *L3 for a competent answer that deals with part of the analysis, probably only briefly linking equilibrium to demand.* **7–8** *L2 for a less developed answer referring to indifference curves and budget lines.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
3(b)	**Discuss why there might be exceptions to this normal response, distinguishing the income effect from the substitution effect. Consider the relevance of these exceptions to firms and the government.** **Discussion of inferior, (negative income does not outweigh positive substitution for price fall) GIffen goods, (negative income outweighs positive substitution for price fall). Effect on likely revenue to the firm, on tax revenues to government, relevance of price, income elasticity.** *L4 for a sound explanation and discussion with good illustrations and a clear understanding of the principles involved with accurate links and a reasoned evaluation referring to firms and government..* **9–13** *L3 for a competent explanation of the terms with accurate but limited discussion with some analysis of the links.* **7–8** *L2 for a correct but undeveloped explanation with some attempt at analysis but only brief discussion.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
4(a)	**Reasons for growth of firms, reasons for existence of smaller firms.** *L4 for a sound explanation with good illustrations and a clear understanding of the principles involved* **9–12** *L3 for a competent comment with limited development. One sided approach max 7.* **7–8** *L2 for a limited but acceptable attempt to consider differences or reference to different market structures only.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
4(b)	**Discuss who might benefit and who might lose when a market becomes dominated by a few large firms** **Discussion of effects of larger firms in terms of reduced output, higher prices, higher profits, but possibly more research, innovation, product branding, economies.** *L4 for a sound explanation with good illustrations and a clear understanding of the principles involved* **9–13** *L3 for a competent comment with limited development. One sided discussion max 7.* **7–8** *L2 for a limited but acceptable attempt to consider differences* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

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Question	Answer	Marks
5	**The merit of the economic theory of wage determination is that it clearly shows what the best level of wage rates should be and thus is evidence that there is no need for either the government or trades unions to fix wages.** **Analysis of wage determination and employment levels. Consideration of perfect and imperfect markets. Discussion of meaning of 'best level' – for whom? (worker, employer) with relation to what? (Employment levels, wages, productivity, efficiency of firm, safety issues?) For whom?** *L4 for a thorough critique of the statement and an explanation of the analysis of wage determination with a clear comparison of perfect and imperfect markets. A sound discussion about meaning of 'best'. Max 21 no conclusion.* **18–25** *L3 for a weaker critique of the statement but a competent explanation of imperfect market wage determination and a consideration of the meaning of 'best'. Max L3 if no MRP.* **14–17** *L2 for a correct but undeveloped analysis with only a brief comment and recognition of the range of relevant issues to consider.* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant* **1–9**	**25**

Question	Answer	Marks
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. Consider this opinion** C**andidates 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. Real GDP per capita. Alternative measures e.g. HDI. Positive and negative effects of growth.** *L4 For a clear explanation of GDP and comment on the merits and limitation of using GDP, comment on the merits and limitation of growth of GDP, a clear assessment of the assertion in the quote and a reasoned evaluation.* **18–25** *L3 For a competent explanation which does not fully analyse the merits and limitations of using GDP or does not comment on the possible positive/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**	**25**

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Question	Answer	Marks
7(a)	**Consider what are likely to be the main causes of unemployment.** **Explanation of the various types of unemployment.** *L4 For a clear explanation with development of at least four types of unemployment, cyclical, structural, frictional, seasonal, real-wage (classical), voluntary* **9–12** *L3 For a clear explanation of three types or more than three with undeveloped explanation.* **7–8** *L2 for a limited attempt with little development* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
7(b)	**Discuss whether a reduction in unemployment should always be the main aim of government policy** **Discussion of the different aims of government policy, both macro and micro could be mentioned, with a comment on their relative importance.** *L4 For a sound discussion with good explanation of the aims and a clear understanding of the relative choices with a conclusion. Max 10 no conclusion.* **9–13** *L3 for a competent analysis, with a limited attempt at a comment on the relative importance.* **7–8** *L2 for a correct explanation but no attempt at a discussion of the relative importance and no conclusion. Max if unemployment only.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

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Question	Answer	Marks
1(a)	positive: objective, can be tested. Normative: value judgement. 2 First paragraph has both. Use of 'should' – normative, others positive. 2	**4**
1(b)	group acting together, fixes output, fixes prices, prevents competition,	**4**
1(c)	comment on meaning of economies of scale and seeming relevance to large international markets.	**4**
1(d)	some evidence to support about consultancies, lack of innovation, acquisitions not innovation, managerial problems (e.g. of banks), tendency to cartels – but no figures, or details. There is also evidence about niche markets, economies of scale, international trade – but no details or success rates, price changes, costs, whether profits have improved. no source for surveys re young people. Oversimplification of role of state. Some normative words: dull identical brands, innovate badly, give pretended meaning to their aim. Article presents negative side of large business and beneficial side of smaller businesses. Not a balanced view. Max 7 no conclusion	**8**

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Question	Answer	Marks
2(a)	Explanation of indifference curves, description of normal good, (positive substitution, positive income) inferior, (negative income does not outweigh positive substitution for price fall) Link to demand curve, showing possible different slope of curve and different price elasticity. *L4 for a reasoned answer with a conclusion illustrating all the points, shape of curve, equilibrium, construction of demand, change in price, change in demand,* **9–12** *L3 for a competent answer that deals with part of the analysis, probably only briefly linking equilibrium to demand curve* **7–8** *L2 for a less developed answer probably the demand curve link, or mention of elasticity* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
2(b)	Discussion of consumer theory; is it likely that consumers behave irrationally, is it possible to construct indifference curves, calculate marginal utility, elasticity, price equilibrium. *L4 for a sound discussion and comment with good illustrations and a clear understanding of the principles involved. 10 max no conclusion.* **9–13** *L3 for a competent but less developed discussion idea of rationality or a more limited debate about the realism of the demands of the theory.* **7–8** *L2 for a correct but undeveloped explanation with some attempt at analysis but only brief discussion with no conclusion.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
3(a)	Explanation of profit maximisation rule, may operate when TR less than TC in short run provided AR is at least equal to AVC *L4 for a sound explanation with good analysis and a clear understanding of the principles involved for both parts of the question* **9–12** *L3 for a competent comment on profit maximisation with concentration on normal/abnormal profit, little comment about short/long run,* **7–8** *L2 for a less developed answer, concentrating on maximum profit point, and poor understanding of significance of AVC* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
3(b)	Oligopoly theory assumes there profit maximisation, (price match supports this); product differentiation/advertising, (supports); concern about competitor's actions – interdependence, (supports); prices relatively constant, (debateable support); few large firms (large – supports, few – debateable); possible collusion (not supported). *L4 for a discussion of at least 4 of the assumptions and comment on price matching with overall conclusion* **9–13** *L3 for a discussion of 3 points with reasoned analysis and comment.* **7–8** *L2 for a more general or imprecise answer mainly concentrating on the theory with little focus on the question.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
4	Discussion of wage determination. Question refers to any labour market so both perfect and imperfect markets can be considered. Reduced subsidy increases costs. Outcome would depend on balance of increased costs against demand (MRP) *L4 for a thorough critique of the statement and an explanation of the analysis of wage determination with a clear comparison of perfect and imperfect markets. There should be a conclusion and a well-structured answer.* **18–25 (14–17 D&S)** *L3 for a weaker critique of the statement but a competent explanation of imperfect market wage determination. Max L3 without MRP.* **14–17** *L2 for a correct but undeveloped analysis with only a brief comment and recognition of the range of relevant issues to consider. No real conclusion* **10–13** *L1 for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant* **1–9**	**25**

Question	Answer	Marks
5(a)	Analysis of the causes of an increase in unemployment. Although the information is essentially the same as the static causes of unemployment candidates should make some comment about the reasons for an increase in unemployment drawing attention to what might have changed to result in such an increase. *L4 For a sound explanation with a clear understanding of the principles involved dealing with at least four types of unemployment* **9–12** *L3 For an accurate but more limited explanation and minor errors in the analysis. Expect at least four types briefly explained, or three types more fully explained.* **7–8** *L2 For a correct but brief explanation of three types of unemployment not necessarily logically presented* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
5(b)	Discussion of the likely impact of unemployment – reduced expenditure by consumers, but possibly increased expenditure by governments on training programmes, benefit schemes; reduced incomes, reduced rate of economic growth, social factors and impact of unemployment. *L4 For a sound discussion with good explanation of the possible outcomes. 10 max no conclusion* **9–13** *L3 For a competent comment but with limited development.* **7–8** *L2 For a brief explanation and with a weak discussion and no conclusion* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

Question	Answer	Marks
6(a)	Assessment of the use of GDP as an indicator compared with alternative indicators, comment on the relevance of GDP for classification of developing countries, value other characteristics for the classification. Comment that the table only relates to 1 year. *L4 For a full coverage of problems of data collection, and a discussion of usefulness and drawbacks of using GDP, link to developing status* **9–12** *L3 For a competent but more limited discussion of the validity of using GDP, only brief link to developing status* **7–8** *L2 For a general comment with nothing on alternative measures and with no explicit link to developing status.* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**12**
6(b)	Explanation of the benefits of growth in terms of increases in income, productive capacity, trading position, employment, profitability, standards of living. *L4 For a sound explanation with clear understanding of the principles involved and a clear conclusion* **9–13** *L3 For a competent explanation but with limited development, max7, no conclusion* **7–8** *L2 For a general description of only some of the factors and no conclusion* **5–6** *L1 For an answer that has some basic correct facts but includes irrelevancies and errors of theory* **1–4**	**13**

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Question	Answer	Marks
7	Explanation of meaning of efficient allocation and explanation of the analysis which ensures an efficient optimum may be reached. Distinction between productive and allocative efficiency. Discussion of reasons for market failure and necessity/desirability of government intervention to achieve efficiency. This could be by persuasion (nudge theory) rather than by enforcement. Nudge theory, originally an ethical idea not a government manipulative tool, involves designing choices to encourage decision making in wider positive interests of society. But it can be used in government context. Conclusion about efficacy of relying on market system. Max 21 with no conclusion. *L4 for a thorough explanation and a reasoned discussion dealing with both aspects of efficiency and possible reasons for government intervention. A conclusion should be drawn.* **18–25** *L3 for a competent explanation of the terms with accurate but limited discussion.* **14–17** *L2 for a correct but undeveloped explanation with some attempt at analysis but only brief discussion with no conclusion.* **10–13** *L1 For an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant.* **1–9**	**25**