Cambridge International AS & A Level

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ECONOMICS **9708/41**

Paper 4 Data Response and Essays **October/November 2019**

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

LEVELS OF RESPONSE MARKING APPROACH

The essay questions in Section B are marked using Levels of Response. They carry a maximum mark of 25 each. Most of them are split into two parts, where part (a) is worth 12 marks and part (b) is worth 13 marks. However, some essays are set as a single question worth 25 marks.

Try not to 'bunch' marks, but use the whole mark range. Do not reserve (e.g.) high Level 4 marks ‘just in case’ something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, then it must be rewarded appropriately. 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 skills described in the assessment objectives and not purely on the ability to itemise further facts from the content of the syllabus. All of the essays test the four assessment objectives above.

LEVELS OF RESPONSE MARKING PROCESS

There are two steps that need to be taken in awarding the mark for the essay questions:

Step 1: Determine the level – start at the highest level and work down until you reach the level that best describes the answer. Use a ‘best-fit’ approach: which level does it most closely resemble overall, considering all of the assessment objectives on balance?

Step 2: Determine the mark within the level by considering the following:

- Consistently meets the criteria; clear evidence of the qualities of the level = at the top of the level
- Meets the level’s criteria but with some slight inconsistency or some parts of the criteria not addressed = at the middle or above the middle of the level (depending on number of marks available)
- Just enough achievement for this level on balance = either below the middle or at the middle of the level (depending on number of marks available)
- Answer is on the borderline of this level and the one below, i.e. it there is only limited evidence it meets the criteria for this level = at the bottom of level

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LEVELS OF RESPONSE MARKING DESCRIPTIONS

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	AO1	AO2	AO3	AO4
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	AO1	AO2	AO3	AO4
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)	**What is economic growth and does it necessarily remove poverty and inequality?** • Definition of growth; in output, over time (**up to 2 marks**) • Comment on poverty and inequality – may increase wealth but not evenly shared (**up to 2 marks**)	**4**
1(b)	**In the circumstances described in the article why might a country decide that lowering its exchange rate would help its economy?** • Fiscal policy is constrained/high government debt – government cannot spend more • Interest rates very low • Need alternative way to boost aggregate demand • Exchange rate change might increase exports • Would boost employment and output	**5**
1(c)	**What evidence is there in the article that monetary policy had failed to improve the economies after the crisis?** The monetary policy referred to was low interest rates (**1 mark**) But despite low rates there was • Loss of employment • Low growth/output • Low demand • Misunderstanding of how economy works and shaken confidence • Higher government debt (**up to 4 marks**)	**5**
1(d)	**Explain what is meant by a 'prisoner's dilemma' and analyse why the term was applied in the article to a market economy.** Explanation of the dilemma: • Need to rely on others for co-operation but cannot determine what others might do • Might do better if ignore the co-operative solution but might do far worse also • Outcome depends on what others do and this is uncertain. A market economy is said to be uncertain (**up to 3 marks**) Application: • A market economy is said to be uncertain • Changing interest rates might benefit one country but would not do so if others did not do the same • For example: investment might seem more profitable in another country with low interest rates if home country rates increased (**up to 3 marks**)	**6**

Question	Answer	Marks
2	**'Competition is an essential element of an efficient market economy. If there is a monopoly then there is no competition. Monopolies exist in all economies and, therefore, all economies must be inefficient.'** **Discuss this opinion.** *Explanation of meaning of efficiency and explanation of the analysis which ensures an efficient optimum may be reached. Productive efficiency makes the best use of resources and allocative efficiency ensures that no one can be made better off without someone being worse off. Comment on whether this necessarily occurs in a market economy where monopoly exists. There is a difference between the theoretical and practical definition of monopoly.* *Comment on whether all monopolies are necessarily inefficient or whether they might achieve some productive efficiency. There may be monopolies in some industries but not others, some monopolies might promote research, so the effect is not uniform throughout the economy.* *Conclusion about whether the idea of a market efficient economy is untenable.* **L4 (18–25 marks):** For a thorough explanation dealing with productive and allocative efficiency and a comment on whether a market economy is necessarily inefficient because it has a monopoly element. Conclusion about the inefficiency of a market economy. **L3 (14–17 marks):** For a competent but only partially developed explanation of the terms with accurate but limited comment on whether market economies necessarily result in inefficiency because of monopoly. A more limited discussion linking market failure with monopoly. **L2 (10–13 marks):** For a correct but brief explanation with some attempt at analysis possibly with only one type of efficiency correctly elaborated, no comment on the relevance of monopoly and the likelihood of market failure and a weaker comment on the implications if a monopoly exists. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**25**

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Question	Answer	Marks
3(a)	**Explain what is meant by a consumer's equilibrium and how it is related to the demand for a product.** *Equilibrium is a relationship between the marginal utility and the price; can be explained using either marginal utility or indifference curves – marginal rate of substitution equal to the price ratio. Consideration of the assumptions: rationality, sovereignty, the ability to measure utility, the relationship between utility and price. Link between price and demand.* **L4 (9–12 marks):** For a clear explanation and a sound comment on the relationship between the price and the satisfaction obtained, referring to more than one good. Clear comment on the assumptions. Link to demand. **L3 (7–8 marks):** For a less developed answer but one that still refers to the equilibrium but probably concentrates on only one good. Weaker consideration of the assumptions or omission of link to demand. **L2 (5–6 marks):** For a brief attempt which does not clearly bring out the significance of the marginal analysis or which does not deal with any of the assumptions. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
3(b)	**Indifference curve analysis refers to income and substitution effects. Explain what these effects are and discuss whether they might be the major influence for a manufacturer intending to change the price of a product.** *Analysis of the difference between income and substitution effects and the overall effect on demand of a change in price. Whether demand will increase, and by how much for a price fall depends on the classification of the good but also on the price elasticity of demand. The company would also need to know if it increased production how that would affect costs – and thus profits.* **L4 (9–13 marks)** For a clear explanation of the analysis – income, substitution; a comment on the effect on demand; and a comment on the relation to revenue via elasticity. Good reasoned structure. **L3 (7–8 marks):** For a less developed analysis of the income and substitution effects, or of the link to demand, or a weaker link to the revenue. Two aspects done reasonable well, or three less developed. **L2 (5–6 marks):** For an answer that either deals with one aspect well, or two with less clarity. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
4(a)	**What relation is there, if any, between the law of diminishing returns and internal and external economies of scale?** *Diminishing returns: short run. Economies of scale: long run. Diminishing returns can occur on each of the curves representing different scales of output.* **L4 (9–12 marks):** For a clear explanation of the theory and recognition of the link between the terms. **L3 (7–8 marks):** For a less developed explanation of both terms with some confusion of the link. **L2 (5–6 marks):** For a less developed explanation of only one of the terms and no accurate comment on the link between them. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
4(b)	**'It is a general rule that firms maximise profits. They do so where the average revenue from the sale of a product is equal to its marginal cost of production.'** **Do you agree with this statement?** *The assertion only occurs in perfect competition where AR = MR. Then profit maximisation is, by default, where MC = MR = AR. Firms may not maximise profits and have alternative aims; it is not a general rule.* **L4 (9–13 marks):** For a clear grasp of the theory and an accurate discussion of alternative objectives of a firm. **L3 (7–8 marks):** For an answer that concentrates on one or other of the aspects of the question: either profit maximising analysis or alternative objectives. Or an answer that covers both aspects of the question but in a less developed manner. **L2 (5–6 marks):** For an answer which has weak analysis, undeveloped alternative objectives and poor structure. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
5(a)	**Explain why economists use a Lorenz curve and a Gini co-efficient and comment on likely government policy implications if a country's Gini co-efficient increased from 0.34 to 0.68.** *Lorenz curve shows the distribution of income in a country; Gini co-efficient is a measure of the inequality of distribution. The co-efficient ranges between 0 and 1; higher the figure the more unequal the distribution. Increase in inequality might lead to the conclusion that the government needs to take corrective policy action by means of taxes, transfer payments, tax relief.* **L4 (9–13 marks):** For a clear explanation of the theory and developed comment on possible government policy measures. **L3 (7–8 marks):** For a briefer explanation of the theory, a weaker understanding of the link between Lorenz and Gini co-efficient and undeveloped comment on government policy. **L2 (5–6 marks):** For a much less developed answer with no elaborative comment on government policy. **L1 (1–4 marks):** 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.	**13**
5(b)	**With the help of a diagram analyse what is likely to happen to a worker's transfer earnings and economic rent if a perfectly competitive labour market is replaced by a monopsony.** *Explanation of transfer earnings and economic rent; monopsony is likely to result in a fall in numbers employed, a fall in the wage rate and a fall in both transfer earnings and economic rent.* **L4 (9–13 marks):** For a reasoned and clear explanation with accurate development of theoretical analysis. Use of an appropriate diagram. **L3 (7–8 marks):** For a correct understanding of the terms but a weaker explanation of the theory with some moderate inaccuracy in the diagram. **L2 (5–6 marks):** For a limited understanding of the terms, some confusion on the application to a monopsony and more major errors in the diagram. **L1 (1–4 marks):** 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.	**13**

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Question	Answer	Marks
6	**'The Human Development Index (HDI) is a more useful indicator of changes in living standards than changes in Gross Domestic Product (GDP) but it still does not provide an entirely accurate assessment of whether living standards have improved over a given time period.' Critically evaluate this statement.** *An explanation of why changes in Gross Domestic Product are used to assess changes in living standards should be combined with an assessment of why this might not produce an accurate assessment. References should be made to GDP per capita and real GDP. The key elements of HDI should be identified and discussed in relation to GDP. Other key factors which are not covered by both these indicators should be considered – for example income distribution, negative externalities, leisure time etc. should be discussed. Other indicators such as the Multi-dimensional poverty index, happiness index, gender development index might be referred to.* **L4 (18–25 marks):** For an answer that develops an argument which suggests that both measures cannot be relied upon to provide an accurate measure and which provides evidence of weaknesses in both cases. Some reference to other measures which might encompass additional relevant factors should be made and a conclusion should be provided. **L3 (14–17 marks):** For an answer which provides some critical analysis of the weaknesses associated with each of the measures under consideration and which attempts to compare which alternative might provide a more accurate measure. **L2 (10–13 marks):** For an answer that explains GDP and HDI and attempts to consider why they are different but does not consider why one might be more accurate than the other. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**25**

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Question	Answer	Marks
7(a)	**Discuss the effects of an expansionary monetary policy on the demand for money.** *Expansionary monetary policy relates to the use of changes (increases) in the money supply and changes (decreases) in interest rates. These changes would be expected to have a positive effect on aggregate demand which might increase output and employment. Each of the three motives for the demand for money would be affected by changes in income and changes in interest rates. A discussion of the impact on each is required.* **L4 (9–12 marks):** For an answer that discusses the impact of the changes in income and interest rate changes on the transactions, precautionary and speculative motives for the demand for money. An attempt should be made to assess the relative importance of the impact on each of the motives. This should be combined with a conclusion. **L3 (7–8 marks):** For an answer that uses analysis to show how an increase in the money supply will normally lead to a fall in interest rates and how these changes can be linked to changes in income. Clear links between these changes and changes in the demand for money will be established. **L2 (5–6 marks):** For an answer that provides a brief outline of what is meant by an expansionary monetary policy and some indication of factors which affect the demand for money. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

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Question	Answer	Marks
7(b)	**How far do you agree with the view that an expansionary fiscal policy will reduce the level of unemployment in the short run but it will cause inflation to accelerate and unemployment to rise in the long run?** *In the short run, expansionary fiscal policy will increase aggregate demand by increasing government spending and/or reducing the level of taxation. With zero price expectations in the short run, this will decrease unemployment whilst also creating non-accelerating inflation. Monetarists suggest that in the long run, once price expectations are built into wage bargaining, wages will rise and unemployment will then also rise. This process will continue as long as governments attempt to create jobs using deficit financing.* **L4 (9–13 marks):** For an answer that clearly analyses the effects of an increase in aggregate demand on employment and inflation in the short run but then focuses upon the key role of price expectations in wage bargaining and discusses the type of unemployment (natural rate) which does not lend itself to successful fiscal policy. **L3 (7–8 marks):** For a less developed analysis of the effects of an increase in aggregate demand on employment and inflation in the short run and with some link to changes in expectations in the long run. **L2 (5–6 marks):** For an answer that provides a description of the relationship between fiscal policy and employment and inflation. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies.	**13**

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LEVELS OF RESPONSE MARKING APPROACH

The essay questions in Section B are marked using Levels of Response. They carry a maximum mark of 25 each. Most of them are split into two parts, where part (a) is worth 12 marks and part (b) is worth 13 marks. However, some essays are set as a single question worth 25 marks.

Try not to 'bunch' marks, but use the whole mark range. Do not reserve (e.g.) high Level 4 marks ‘just in case’ something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, then it must be rewarded appropriately. 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 skills described in the assessment objectives and not purely on the ability to itemise further facts from the content of the syllabus. All of the essays test the four assessment objectives above.

LEVELS OF RESPONSE MARKING PROCESS

There are two steps that need to be taken in awarding the mark for the essay questions:

Step 1: Determine the level – start at the highest level and work down until you reach the level that best describes the answer. Use a ‘best-fit’ approach: which level does it most closely resemble overall, considering all of the assessment objectives on balance?

Step 2: Determine the mark within the level by considering the following:

- Consistently meets the criteria; clear evidence of the qualities of the level = at the top of the level
- Meets the level’s criteria but with some slight inconsistency or some parts of the criteria not addressed = at the middle or above the middle of the level (depending on number of marks available)
- Just enough achievement for this level on balance = either below the middle or at the middle of the level (depending on number of marks available)
- Answer is on the borderline of this level and the one below, i.e. it there is only limited evidence it meets the criteria for this level = at the bottom of level

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LEVELS OF RESPONSE MARKING DESCRIPTIONS

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

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)	**Identify two positive influences on Japan's economic growth.** • expansionary monetary policy • fiscal spending/public investment • investment/spending in corporate sector • private consumption/spending in household sector • Olympic-related spending • rise in exports • labour participation rate • employee incomes continued to improve **2 × 1 marks**	**2**
1(b)	**To what extent do Fig. 1.1 and Fig. 1.2 support Friedman's view that 'inflation is always and everywhere a monetary phenomenon'?** • **Up to 2 marks** for comment that SUPPORTS the view • **Up to 2 marks** for comment that CONTRADICTS the view Details are as follows: • During 2013–2014, inflation rose significantly from -–1% to nearly 4% before falling again to around 0% (**1 mark**); at the same time there were increases in the growth rate of money supply (**1 mark**). • However, there does not appear to be a close relationship (**1 mark**), as in some periods, M3 growth rose but prices fell, 2015–2016 (**1 mark**). • Conclusion (**1 mark**) – the evidence from the Figs. is mixed. **Max**. **1 mark** if answer quotes graph but draws no conclusions	**5**
1(c)	**Explain the likely impact of quantitative easing on the Japanese economy.** • Lower interest rates (**1 mark**) • This boosts investment or consumption (**1 mark**) • Increased AD (**1 mark**) • Should lead to increased output/employment (**1 mark**) • Could lead to depreciation of the currency (**1 mark**) • Could be inflationary (**1 mark**)	**6**
1(d)	**Discuss the possible effects on the Japanese economy of the changes in supply-side policy and international economic events described in the article.** • Identification of supply-side policy measures (**1 mark**) e.g. regulatory or institutional reforms. • Effects of supply-side policy changes (**up to 2 marks**) – effect on productivity and on AS/output. • Identification of international economic events (**1 mark**) e.g. depreciation of yen. • Effects of international economic events, (**up to 2 marks**) – effect on AD/demand. • Conclusion – increased employment/inflation/growth; balance of changes in AD and AS (**1 mark**)	**7**

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Question	Answer	Marks
2	'**Free markets make the most efficient use of resources and are the foundation of a successful economy.' To what extent do you agree with this?** *A definition of a free market and the concepts of productive and allocative efficiency. Discussion of reasons for market failure, Imperfect knowledge, inequality, friction within a market, externalities.* *Note: All types of efficiency together to be regarded as one type of market failure.* **L4 (18–25 marks):** For a thorough discussion which covers a good understanding of productive and allocative efficiency produced by markets. A good explanation of 2 forms of market failure which consider the impact on efficiency. A conclusion will be drawn that refers to a successful economy. (Max. 21 no conclusion). **L3 (14–17 marks):** For a competent discussion of productive and allocative efficiency produced by perfect markets. A limited explanation of 2 forms of market failure. **L2 (10–13 marks):** For an accurate though undeveloped explanation of efficiencies or market failures. **L1 (1–9 marks):** 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.	**25**

Question	Answer	Marks
3(a)	**Explain what is meant by a normal good and comment on the link between total utility, marginal utility and a consumer's demand curve for that good.** *Definition of a normal good, explanation of total utility and links to total consumption. Derivation of falling marginal utility as consumption increases linked through equi-marginal consumption and price change of a product to the demand curve.* **L4 (9–12 marks):** For clear explanations of the three terms and reference to the demand for a good. Establishment of the equi-marginal rule $MU_x/P_x = MU_y/P_y$. The effect of a change in price of a good on the ratio and the need to adjust the quantity demanded and hence MU in order to return to equilibrium **must** be explicitly stated. **L3 (7–8 marks):** For clear explanations of two of the terms and reference to the demand for a good. Establishment of the equi-marginal rule $MU_x/P_x = MU_y/P_y$. **L2 (5–6 marks):** For a clear explanation of 2 of the terms and an attempt to link it to the demand curve. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
3(b)	**Discuss how a government's policies toward income and wealth distribution can affect a consumer's demand.** *A consideration of the impact of taxation, government transfer payments and/or other government policies on income and wealth and hence the budget line and demand. Consideration of the effect of taxation on wealth and the consumption effects of changes in wealth. Consideration of the difference in the income effect for normal and inferior goods.* **L4 (9–13 marks):** For a response that explains two policies and their impact on income and wealth linked to consumer demand for normal goods and inferior goods. (No conclusion maximum 11). **L3 (7–8 marks):** For a response which explains two policies and the effect on income or wealth. Either normal or inferior goods are considered. **L2 (5–6 marks):** For a response which explains one policy with limited reference to demand. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**13**

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Question	Answer	Marks
4(a)	**Explain how a firm maximises its profit in perfect competition.** *An explanation of the profit maximising rule based on MC = MR. Explanation of how when MC and MR are unequal a firm changes its level of output to increase profits.* **L4 (9–12 marks):** For a sound explanation of increasing output when MC is less than MR and reducing output when MC is greater than MR to bring equilibrium when MC = MR. **L3 (7–8 marks):** For an explanation of equilibrium increasing output when MC is less than MR or reducing output when MC is greater than MR to bring equilibrium when MC = MR. **L2 (5–6 marks):** For an explanation of equilibrium when MC = MR. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
4(b)	**Discuss whether profit maximisation is the best strategy in the long run for firms in different market structures.** *A comparison of long-run profit and the difference that exists between the different forms of competition. Idea of contestable markets may mean that profit maximisation cannot be achieved due to hit-and-run competition, or there may be other objectives. Different strategies can be identified in relation to different market structures, e.g. in perfect competition and monopolistic competition long-run profit maximisation would apply, whereas in oligopoly and monopoly other strategies may be appropriate, e.g. sales revenue maximisation.* **L4 (9–13 marks):** For a sound discussion of two market structures and two strategies. (Max. 11 if no conclusion). **L3 (7–8 marks):** For an analysis of either two market structures and one strategy or one market structure and two strategies. **L2 (5–6 marks):** For a limited comparison of a strategy between two forms of competition. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**13**

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Question	Answer	Marks
5(a)	**Explain the relevance of economic rent and transfer earnings when comparing the wages of skilled workers and unskilled workers.** *Definitions of economic rent and transfer earnings. Supply and demand factors in determining wage levels. The relevance of elasticity of demand and supply in the labour market. Application to skilled and unskilled workers.* **L4 (9–12 marks):** For an explanation of the meaning of economic rent and transfer earnings and how these may differ between markets. Factors affecting the demand for labour and the supply of labour and their effect on the wages of skilled and unskilled workers. The relevance of elasticity of demand for and supply of labour. **L3 (7–8 marks):** For an explanation of the meaning of economic rent and transfer earnings and how these may differ between markets. Factors affecting the demand for labour and the supply of labour **or** elasticities of supply and demand for labour and their effect on the wages of skilled and unskilled workers. **L2 (5–6 marks):** For an explanation of the meaning of economic rent and transfer earnings and how these may differ between markets. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**12**
5(b)	**Discuss whether workers always benefit when their trade union achieves an increase in wages.** *Discussion and analysis of wage theory in imperfectly competitive labour market. Trade unions influence on wage rates; the negotiation of a higher wage. Examples could include minimum wage, higher labour productivity (higher MRP) and monopsony.* **L4 (9–13 marks):** For a discussion of two ways in which trade unions may increase wages and of the extent to which each of these benefits the workers. (Max. 11 if no conclusion) **L3 (7–8 marks):** For a discussion of one way in which trade unions may increase wages and of the extent to which this benefits the workers. **L2 (5–6 marks):** For a discussion of one way in which trade unions may increase wages. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial. **Alternatively**, candidates may discuss a range of economic factors which reduce the benefits of an increase in wages e.g. higher taxation, inflation, working conditions. **L4 (9–13 marks):** For a discussion of 3 well explained economic factors. (Max. 11 if no conclusion). **L3 (7–8 marks):** For a discussion of 2 well explained factors or 3 less well explained factors.	**13**

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Question	Answer	Marks
5(b)	**L2 (5–6 marks):** For a discussion of 1 well explained factor or 2 less well explained factors. **L1 (1–4 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	

Question	Answer	Marks
6	**Evaluate how the relative size of injections into and leakages from the circular flow of income can affect the ability of a government to achieve its macroeconomic aims.** *Identification of types of injections (J): investment, government spending and exports and withdrawals (W): saving, taxation and imports. Identification of macroeconomic aims. The impact of W and J on output, income and employment in relation to the circular flow of income. Explanation of potential conflicts between aims: inflation/balance of payments/growth/unemployment and effect on them if W>J or W<J.* **L4 (18–25 marks):** For clear definitions of injections and withdrawals and their size and impact on the circular flow of income, the government's macroeconomic objectives and possible compatibility/conflicts of aims. An evaluation of an imbalance in W/J on 3 macroeconomic objectives. (Max. of 21 if no conclusion). **L3 (14 –17 marks):** For clear definitions of injections and withdrawals and the government's macroeconomic objectives, impact on the circular flow of income, reference to compatibility/conflict of aims, explanation of an imbalance in W/J on 2 macroeconomic objectives. **L2 (10–13 marks):** For a limited description of W/J and 1 macroeconomic objective. **L1 (1–9 marks):** For an answer which has some basic correct facts but includes irrelevancies. Errors of theory or omissions of analysis will be substantial.	**25**

Question	Answer	Marks
7	**Discuss whether countries at different stages of development should use different methods of measuring living standards.** *Conventional measures of economic well-being e.g. real GDP per head. The advantages and disadvantages of this measure when applied to different economies. The use of alternative measures when applied to different economies e.g. Multidimensional Poverty Index (MPI), (Human Development Index) HDI and MEW.* **L4 (18–25 marks):** For a discussion of the advantages and disadvantages of two methods of measuring living standards in developed and developing economies. A conclusion will be drawn. (Max. 21 if no conclusion). **L3 (14–17 marks):** For a discussion of the advantages and disadvantages of one method of measuring living standards with some reference to developed or developing economies. **L2 (10–13 marks):** For an accurate though undeveloped explanation of one method and some limitations. **L1 (1–9 marks):** For an answer that shows some knowledge but does not indicate that the question has been fully grasped, or where the answer contains irrelevancies and errors of theory.	**25**

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Cambridge International AS & A Level

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Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/43**

Paper 4 Data Response and Essays **October/November 2019**

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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ASSESSMENT OBJECTIVES

The skills listed below are what we expect candidates to be able to do. The marks in the mark scheme reward candidates who demonstrate these skills, so they are helpful to keep in mind if you have any doubts as to whether or not something is worthy of credit.

AO1 Knowledge and understanding	Demonstrate knowledge and understanding.
AO2 Application	Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.
AO3 Analysis	Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.
AO4 Evaluation	Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

LEVELS OF RESPONSE MARKING APPROACH

The essay questions in Section B are marked using Levels of Response. They carry a maximum mark of 25 each. Most of them are split into two parts, where part (a) is worth 12 marks and part (b) is worth 13 marks. However, some essays are set as a single question worth 25 marks.

Try not to 'bunch' marks, but use the whole mark range. Do not reserve (e.g.) high Level 4 marks ‘just in case’ something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, then it must be rewarded appropriately. 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 skills described in the assessment objectives and not purely on the ability to itemise further facts from the content of the syllabus. All of the essays test the four assessment objectives above.

LEVELS OF RESPONSE MARKING PROCESS

There are two steps that need to be taken in awarding the mark for the essay questions:

Step 1: Determine the level – start at the highest level and work down until you reach the level that best describes the answer. Use a ‘best-fit’ approach: which level does it most closely resemble overall, considering all of the assessment objectives on balance?

Step 2: Determine the mark within the level by considering the following:

- Consistently meets the criteria; clear evidence of the qualities of the level = at the top of the level
- Meets the level’s criteria but with some slight inconsistency or some parts of the criteria not addressed = at the middle or above the middle of the level (depending on number of marks available)
- Just enough achievement for this level on balance = either below the middle or at the middle of the level (depending on number of marks available)
- Answer is on the borderline of this level and the one below, i.e. it there is only limited evidence it meets the criteria for this level = at the bottom of level

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LEVELS OF RESPONSE MARKING DESCRIPTIONS

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	**AO1**	**AO2**	**AO3**	**AO4**
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	**AO1**	**AO2**	**AO3**	**AO4**
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 article says that an increase in saving would increase production. Would an economist necessarily agree with this statement?** • Increased saving might mean less consumption which would reduce demand, not necessarily increase production. • However, savings might enable banks to lend money for investment which will increase production. Up to 3 marks per side; max 5.	**5**
1(b)	**Explain what is meant by market failure and consider whether there are examples of market failure in the article.** Explanation of market failure (**up to 3 marks**). Examples are monopoly over gene diagnosis, education, and carbon emissions (up to 2).	**5**
1(c)	**Suggest why the article says that the lessons of the prisoners' dilemma might be relevant.** Explanation of the dilemma: • Need to rely on others for co-operation. The outcome depends on what others might do and this is uncertain – hence suggestion for intervention to adjust incentives/disincentives (**up to 3 marks**). Article says 'might' be relevant. Might do better if ignore the co-operative solution but might do far worse also (**1 mark**).	**4**
1(d)	**Discuss, with the help of the information, whether the article is correct in asserting that the 'average person lives better than they did fifty years ago'.** • the information is not per capita, • does not mention relative income distribution, • no information about inflation, • there is an increase in GDP, examples from table, but this is not necessarily same as increase in standard of living, • there have been improvements in technology, but this is not evenly distributed, • conclusion: evidence is questionable.	**6**

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Question	Answer	Marks
2(a)	**Explain the meaning of and whether there is a link** **(i) between Pareto optimality and equality;** **(ii) between free markets and equity.** *Meaning of Pareto optimality and equality (4), no link. Pareto optimality doesn't necessarily produce equality (2); meaning of free markets and equity (4) free markets sometimes result in outcomes that are thought not to be fair (equitable) (2).* **L4 (9–12 marks):** For a sound explanation of all four concepts and conclusion about the two links. **L3 (7–8 marks):** For weaker explanation of four concepts or sound explanation of three concepts and conclusion about at least one of the links. **L2 (5–6 marks):** For a sound explanation of two of the concepts but little comment about the link. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
2(b)	**Consider the methods a government can use to increase efficiency in resource allocation.** *Explanation that there may be a lack of efficiency due to overproduction or under production. Discussion of the methods: taxes, subsidies, licences, regulation, information, permits, 'nudge' incentives, granting property rights, privatisation, nationalisation and the relevance of the choice to either over or under production.* **L4 (9–13 marks):** For a critical discussion of at least three methods and their effectiveness and application. (Taxes and the opposite subsidies should count as one alternative). **L3 (7–8 marks):** For a critical competent discussion of at least two methods or a weaker comment on at least four methods. **L2 (5–6 marks):** For a competent comment on one method or a comment on three or more methods. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
3(a)	**Critically discuss the explanation in economic theory of how a rational consumer exercises choice and how it links to a demand curve.** *Explanation of diminishing marginal utility or indifference curves and the link to equilibrium price and, through changes in price, to the demand curve; critical comment on the difficulty of calculating marginal utility and its application.* **L4 (9–12 marks):** For a sound explanation of the analysis and a clear understanding; explanation of link to demand; with a comment on the possibility of calculating marginal utility. **L3 (7–8 marks):** For a competent comment but with limited development of the analysis – may be no clear link to demand – and a very brief critical comment. **L2 (5–6 marks):** For a brief explanation and with no clear link between equilibrium and demand and no critical comment. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**
3(b)	**Analyse how a consumer's equilibrium might change if the government increased a sales tax (goods and services tax) on a normal good, an inferior good and a Giffen good.** *Explanation of changes in consumer equilibrium using indifference analysis to distinguish between the types of good. Indirect tax will increase the price and the answer really needs to consider the distinction between income and substitution effects.* **L4 (9–13 marks):** For a clear analytical discussion of effect of an indirect tax increase is to increase price; income and substitution effect move in same direction for normal good, in opposite directions for inferior good but a price rise would still result in a fall in demand; they move in opposite direction for a Giffen good but a rise in price will lead to a rise in demand. **L3 (7–8 marks):** For an understanding of a rise in tax causing a rise in price but a clear analysis/discussion of the effect on only two of the goods. **L2 (5–6 marks):** For a weaker understanding of the effect of the tax change and a poor analysis of the income and substitution effects, maybe just concentrating on the utility explanation or elasticity. **L1 (1–4 marks):** 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.	**13**

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Question	Answer	Marks
4(a)	**Contrast the features of a perfect competitive market with those of an oligopoly and compare the aims of the firms in each of these market structures.** *Explanation in terms of criteria for perfect competition and the similarities/differences that occur in oligopoly; size and number of firms. Candidates should also consider the likely aims of the two structures – profits, output, and price changes.* **L4 (9–12 marks):** For an explanation/comment of both market structures – criteria, aims, likely profits with a clear structure. **L3 (7–8 marks):** For a competent explanation/comment that does not fully analyse both types of market structure. There will be some comment, but the analysis will not be fully developed or extensive. **L2 (5–6 marks):** For an accurate though undeveloped explanation/comment concentrating possibly on either the criteria or the aims probably presented as two separate parts of the answer with no direct distinction drawn. **L1 (1–4 marks):** 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.	**12**
4(b) .	**Discuss what you would expect to happen to the output of the industry and the level of profit if perfect competition were replaced by a monopoly.** *Discussion and comment on the determination of price and output, market price takers or price makers, levels of output, levels of profit in short run and long run. Supernormal profits might occur in perfect competition in the short run but not in the long run; supernormal profits might occur in the long run in monopoly. Actual price may be higher in monopoly, but economies of scale may enable a lower price in monopoly.* **L4 (9–13 marks):** For a sound discussion with good explanation of the analysis and a clear understanding of the differences between perfect competition and monopoly. **L3 (7–8 marks):** For a competent comment but with limited development of the analysis or a concentration on either perfect competition or monopoly. **L2 (5–6 marks):** For a brief explanation of both market structures and with a weak discussion of the distinction between the two types of market. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
5	**Analyse and discuss whether the economic theory of wages can explain why there are inequalities in wage rates in a country.** *Discussion of determinants of wages. Candidates should explain the theoretical analysis and discuss the reason for higher wages and inequality in wage rates. These inequalities could occur not only in different occupations but within the same occupation.* *The discussion should include reference to how the theoretical analysis accommodates the market forces of supply and demand but can be moderated by the influence of trade unions and government policy with possible influences on inequalities in wage rates.* **L4 (18–25 marks):** For a thorough analysis of theoretical wage determination with a clear discussion of the role of trade unions and their likely significance over other factors. **L3 (14–17 marks):** For a competent explanation but with limited discussion of trade unions and their significance. **L2 (10–13 marks):** For a correct but undeveloped theoretical analysis with very bald comment about the role of trade unions. **L1 (1–9 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**25**

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Question	Answer	Marks
6(a)	**Explain the speculative motive for the demand for money and consider its significance in relation to monetary policy.** *The speculative demand for money is determined by an individual's view of what will happen to future rates of return on long-term government securities. There is an inverse relationship between the price of bonds and the rate of return on these bonds. Investors will hold cash if they think interest rates are likely to rise in the future and hold bonds if they think interest rates will fall in the future. At very low rates of interest the speculative demand for money might become perfectly elastic. This creates a liquidity trap and makes it very difficult for monetary policy to have a significant impact on real variables.* **L4 (9–12 marks):** For an answer that attempts to evaluate the significance of the speculative demand for money by drawing a diagram, identifying the liquidity trap and then linking this to monetary policy. A conclusion might consider the extent of this significance and why it might vary depending upon the state of the economy. For example, the speculative demand for money is likely to be more significant in a time of recession. **L3 (7–8 marks):** For an answer that provides a clear analysis of the relationship between expectations of changes in the future rate of interest and the speculative demand for money. A diagram might be provided which helps to analyse this relationship. **L2 (5–6 marks):** For a limited explanation of the speculative demand for money but does not explain clearly why interest rates will affect the speculative demand for money. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**12**

Question	Answer	Marks
6(b)	**Discuss the view that monetary policy can be used effectively to control demand-pull inflation but not to control cost-push inflation.** *Monetary policy might use changes in the money supply, changes in interest rates and changes in exchange rates. Changes in all three of these variables might have an impact on demand-pull inflation. For example, a decrease in interest rates might stimulate consumption spending or cause a fall in exchange rates which should increase aggregate monetary demand.* *Alternatively, a fall in exchange rates would increase the price of imported raw materials which could cause cost-push inflation. Diagrams could be used to illustrate these effects.* **L4 (9–13 marks):** For an answer which attempts to address the view contained in the question. Responses should focus upon evaluating the extent of monetary policy on demand-pull inflation and whether/why monetary policy can cause cost-push inflation. A conclusion should be provided which makes a judgement regarding the view under consideration and this should be based on preceding evidence. **L3 (7–8 marks):** For an answer which analyses the effects of different monetary policy options which have different impacts on aggregate demand and costs, and why these changes can cause inflation. Supporting diagrams might be used to illustrate these effects. **L2 (5–6 marks):** For an answer which identifies different types of monetary policy and which describes some of the causes of demand-pull and cost-push inflation. **L1 (1–4 marks):** For an answer that has some basic correct facts but includes irrelevancies and errors of theory.	**13**

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Question	Answer	Marks
7	**'There have been many attempts to measure changes in living standards both within and between countries. Although some have been more useful than others, none of these alternative measures has produced a sufficiently accurate, reliable indicator of changes in living standards.' How far would you agree with this statement?** *Responses should explain different attempts to measure living standards and the key elements of each indicator. GDP per capita, Human Development Index(HDI), Measure of Economic Welfare(MEW), Multi-dimensional Poverty Index might be considered and, in each case, the extent to which they might represent a reliable indicator of changes in living standards.* **L4 (18–25 marks):** For an answer which provides a detailed analysis of two measures but also considers additional measures. The emphasis will be upon highlighting factors which affect living standards but are not addressed by any measure. A conclusion should then allow a judgement as to how far the candidate would agree with the statement under consideration. **L3 (14–17 marks):** For an answer which identifies at least two alternative measures and analyses why they have been used to measure changes in living standards. Some comparative analysis should be used and there should be some indication of an attempt to discuss why neither measure would be completely accurate nor reliable. **L2 (10–13 marks):** For an answer which is limited to a description of some measures, but which does not attempt to discuss their accuracy. **L1 (1–9 marks):** 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.	**25**

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