Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/43**

Paper 4 Data Response and Essays **May/June 2023**

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 May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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.

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**The article refers to concentration ratios. Explain what is meant by a concentration ratio and how it is calculated.** The concentration ratio is the sum of the market share percentage held by the largest specified number of firms in an industry. It ranges from 0% to 100%, and an indicates the degree of competition in the industry. <u>Low concentration ratio</u> in an industry would indicate greater competition among the firms in that industry. (2) It is calculated by adding together the total sales for each of the specified number of largest firms in the industry. (E.g. a 4 firm concentration ration takes the sales of the largest 4 firms) That sum is then divided by the total sales of the industry and converted to a percentage. (2)	4
1(b)	**Explain, with an example, whether the article is correct in saying that neither the producer nor the consumer pays for negative externalities.** A negative externality is a cost that is incurred by a third party. (1) Negative externalities exist when individuals bear a portion of the cost associated with a good's production without having had any influence over the related production decisions. (1) Accept any relevant example of the effect of production on a third party. (1 for example, 1 for application). Maximum 3 marks if only consumption externality discussed. Max 3 mark if only consumer	4
1(c)	**Apart from negative externalities, describe <u>two</u> reasons why the article says increased concentration in an industry may not improve consumer welfare.** 2 marks for each reason. 1 for identification, 1 for explanation. 2 marks for each reason. 1 for identification, 1 for explanation. 2 marks for each reason. 1 for identification, 1 for explanation. • it allows increased power to monopolies with resulting higher profits that benefit the shareholders and producer management not the consumer. • it results in unequal bargaining power between employers and workers. Workers have little scope for arguing for pay rises. • it allows an unequal negotiation between large organisations and small independent suppliers. Large organisations can insist on low purchasing prices and small suppliers have limited power to resist. This has been noticeable in large supermarkets dealings with small farmers.	4

Question	Answer	Marks
1(d)	**The article says that monopolies are tolerated because they are efficient.** **Assess, with the help of a diagram, whether economic theory supports the idea that monopolies are efficient.** Definition of efficiency: • Productive efficiency producing at the lowest cost for the particular output. (2) • Allocative efficiency where every good or service is produced up to the point where the last unit provides a marginal benefit to consumers equal to the marginal cost of producing it. (2) Diagram should illustrate: Correctly drawn and labelled Monopoly diagram. (3marks) Conclusion: the theory does not support this opinion. (1)	8

Question	Answer	Marks
EITHER		
2	**To improve allocative efficiency economists frequently advise governments to remove existing subsidies to the private sector providers of education.** **With the help of a diagram, evaluate this advice.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The distinction between public and private ownership should be clearly explained • Education should be identified as a merit good and the significance of merit goods explained. • The links between a merit good, positive externalities and allocative efficiency should be analyzed. • Analysis of the relationship between the private provision of education, the use of subsidies and potential efficient outcomes should be provided. • A diagram should be provided to illustrate the impact of a subsidy on the provision of education by the private sector Where no diagram – max marks top L2	**20**

Question	Answer	Marks
2	**AO3 Evaluation** • The use of subsidies to encourage the provision of education in the private sector might not be entirely successful because of the difficulties involved when attempting to assess the precise level of subsidy required to achieve an allocatively efficient outcome. • Subsidies provided by the public sector are often expensive and their use will automatically create opportunity costs. For example, money spent on state subsidies to health care • Subsidies in the private sector will mean that access to education is still based on an ability to pay, this might create inequitable outcomes in society. • The pursuit of profit supported by subsidies might enable private firms to cut costs and reduce any unnecessary bureaucracy thus leading to a more efficient use of scarce resources. • Direct state provision of education might lead to less efficient outcomes and reduce the time taken to ensure a high standard of education is available on an equal basis throughout the population. • A conclusion should be attempted which examines the net benefits of each alternative i.e. private or public sector provision of education. • Also, the impact on price and output in some circumstances takes a long time to become effective. • Advertising is often costly and it is not always certain that it will have a sufficiently persuasive effect to ensure the correct level of output / consumption is reached • It is possible to show that government intervention can reduce the level of inefficiency caused by the existence of negative externalities, but it is not clear whether the net effect of government intervention will always be positive. Some types of intervention will be more effective than others depending on the nature of the good / service under consideration. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
OR		
3	**Some firms frequently use price discrimination.** **Assess the view that when this occurs, price discrimination will always benefit the producer at the expense of the consumer and society.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The key characteristics for effective price discrimination (PD) to take place. (Ability to set price, separable markets with different price elasticities of demand) • The use of practical examples to illustrate the meaning of PD. • An explanation / analysis of at least one model of PD to show the effects on the producer in terms of price, output and profit. • An explanation / analysis of PD on the consumer in terms of price and quantity demanded. • The use of relevant labelled diagrams (not mandatory)	**20**

Question	Answer	Marks
3	**AO3 Evaluation** If firms are rational profit – maximisers, the firms must benefit from their action therefore the initial point that the producer will always benefit is true. As total spending on the good / service takes place this represents a transfer of consumer surplus to the producers. But it depends on whether the firms gain at the expense of consumer and society. If the price discrimination exists between domestic and foreign markets The producer may also be able to drive competition from the foreign market if it charges high domestic prices / recovers overheads domestically. This may improve a country's balance of payments. Some consumers gain and some lose. The lower price in the low PED market will benefit those consumers in that market whilst the opposite occurs in the High PED market. The increase in profits may allow the producer to increase its research and development leading to innovative production techniques which lower long term costs – dynamic efficiency. The benefits of the dynamic efficiency may be enjoyed by consumers / society as lower prices. The assessment of the statement should conclude with the view that it should benefit the producer as a matter of rationality but whether this is **always** at the expense of consumers / society is debateable. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

Question	Answer	Marks
EITHER		
4	**An increase in a government's budget surplus will increase unemployment in the short run but it will make it easier to control a balance of payments deficit in the long run.** **Evaluate this statement.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 14 marks. AO3 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • Knowledge of what is meant by a budget surplus, in relation to the difference between government expenditure and government income. • Reference to links between a government surplus, aggregate monetary demand and unemployment. • Explanation of the specific type of unemployment that might relate to an increase in a governments budget surplus. • Analysis of the links between changes in interest rates and unemployment in the short run. • Explanation of some of the key elements of the balance of payments accounts and how they might be influenced by changes in fiscal policy. • Analysis of the links between a budget surplus and the control of a balance of payments in the long run.	**20**

Question	Answer	Marks
4	**AO3 Evaluation** • The impact of a budget surplus in the short run on the level of unemployment will depend upon the main cause of the existing level of unemployment. • A budget surplus is more likely to have a negative effect on unemployment when an economy has a lot of existing spare capacity. • If structural factors are responsible for unemployment, supply side policies might be more effective. • A budget surplus might lead to lower interest rates and cause problems for specific industries within an economy. For example, low interest rates might cause a boom in the housing market. • If a budget surplus leads to a subsequent fall in interest rate, this might ultimately make it more difficult to control a balance of payments in the long run. • A conclusion should make an attempt to make an overall comparison between the use of monetary policy and alternative fiscal or supply side policies. A judgement should be made which directly addresses the statement in question. Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td colspan="3">OR</td></tr>
<tr><td>5</td><td>AO3 Evaluation

• Low – income countries might increase productivity due the transfer of new technology from high income countries, however this might lead to a substitution of capital for labour thus increasing the level of unemployment.

• An increase in Foreign Direct Investment (FDI) might lead to the exploitation of the indigenous raw materials, thus leading to a long run decline in economic growth.

• Increases in productivity might provide opportunities to create more real wealth but it will still depend upon a government in a low – income country to ensure that any increases in wealth lead to equitable outcomes.

It is relatively easy to link an increase in productivity to the availability of more goods, however living standards are also influenced by an increase in the provision of services such as health and education. It is not easy to measure change

• In conclusion, it is clear that there is a potential role for an increase in productivity to influence living standards in low re – income countries but this will depend on many factors which have been referred to above, some of which might have a less direct positive impact.

Accept all valid responses.
• The links between an increase in FDI and GDP and an increase in living standards are not clear. Sometimes, labour is exploited by MNCs in low-income countries. The majority of MNC profit might be repatriated rather than re – invested in the low re – income country.
• Higher skilled work might be provided separately by the MNC therefore training of the indigenous population does not take place. In some cases it has been argued that MNCs extract key resources and then leave.
• It is not certain that a government will use the increase in tax revenue to invested in key sectors such as health, education and the country's infrastructure.
• es in productivity in relation to services such as health and education.</td><td>20</td></tr>
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Question	Answer	Marks
5	• A government in a low-income economy has to decide whether to allow FDI into their economy which might produce short – term benefits but result in long re – term consequences of resource depletion in the long run. • It is very difficult to measure changes in living standards. Increases in GDP might not be divided equally among the population. FDIs might introduce external costs of production which are likely to have a negative effect on overall living standards. • In conclusion, it is clear that there is a potential role for FDIs to improve living standards but this will depend on many factors which have been referred to above, some of which might have an overall negative impact. Also, it is very important to ensure that an appropriate measure of the standard of living is used, one which does not focus entirely on an increase in access to material goods and services. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6