CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS	**9708/42**
Paper 4 A Level Data Response and Essay	**May/June 2026**
MARK SCHEME	
Maximum Mark: 60	

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

Social Sciences-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.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✓	Correct point
✗	Incorrect point
?	Unclear response
^	Key information missing from response
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2**, **3**, **4** and **5**.

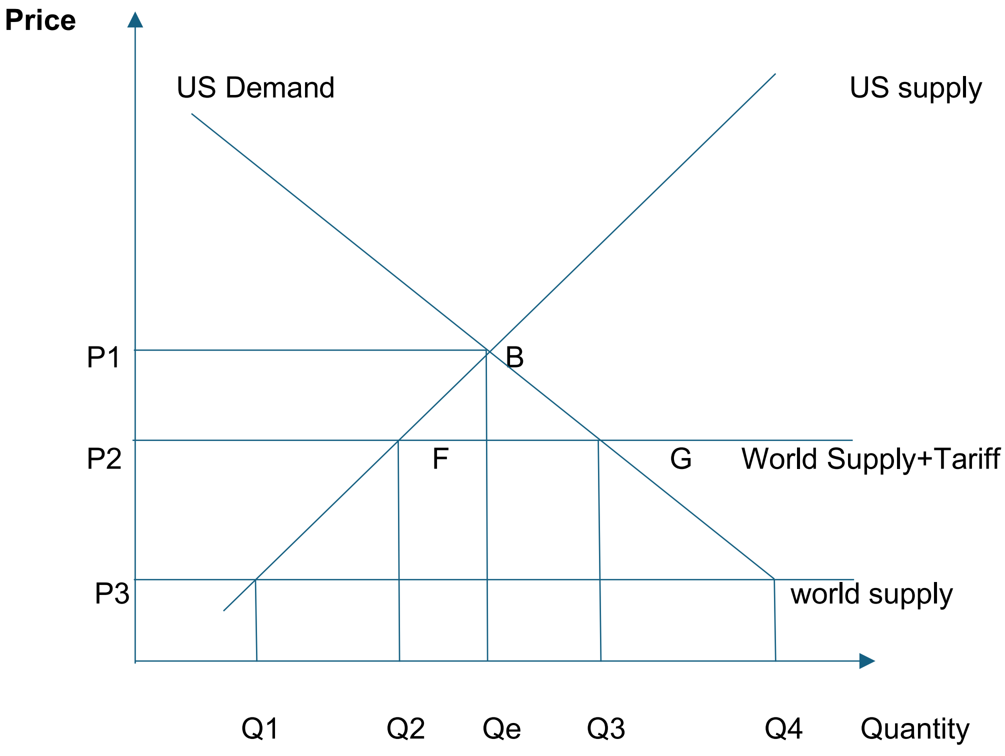
Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	11–14
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	6–10
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–5
0	No creditable response.	0

Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**, **3**, **4** and **5**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	4–6
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–3
0	No creditable response.	0

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Explain why a balance of trade deficit might be regarded as undesirable by the US government.** Implies that (X-M) worsens and therefore Job losses 1 Reduction in gross domestic product (GDP) 1 Imported inflation 1 Fall in foreign exchange reserves. **1** **Max 2**	**2**
1(b)	**Explain, with the aid of a diagram, how import tariffs lead to expenditure switching in the US economy.**  Diagram Axes and Labels **1 + 1** (Axes MUST show world supply) **Max 2** for diagram Comments based on diagram **Max 2** Imports reduce (Q1 to Q4) to (Q2 to Q3) **1** Domestic output increases Q1 to Q2 **1** World supply falls from Q4 to Q3 **1** Explanation 1 developed point **1 + 1** 2 points **1 and 1**	**4**

Question	Answer	Marks
1(c)	**Consider whether a high interest rate will ensure that 'inflation, job creation and economic growth are all moving in the right direction' in the US economy.** • High interest rates will reduce investment and lower employment (job creation)t 1 and lower growth rate **1** • Increases the exchange rate (hot money inflows) 1 reduces import cost and inflationary effects **1** • Reduce consumer demand 1 and reduces growth rate/inflation **1** 3 × (1 + 1) Max 6 Conclusion: Not all the stated aims are likely to be achieved at the same time.1	**7**
1(d)	**Assess whether the information is sufficient to conclude that the Federal Reserve's interest rate policy has benefitted LICs.** • High US interest rate cause the US$ to appreciate **1** and cost of raw material foodstuff and oil become dearer in LIC **1** • Increases the costs of US$ debt interest payments **or** Higher Cost of debt servicing not mentioned **1** more difficult to repay **1** • Costs of repayment for LIC **1** making economic development more difficult **1** 3 × (1 + 1) Max 6 **Conclusion.** The evidence is insufficient to show any benefit to LIC **1**	**7**

Question	Answer	Marks
EITHER		
2	**Evaluate whether the marginal utility theory of demand provides an adequate explanation of market demand for both normal goods and inferior goods.** 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** • Assumptions of marginal utility analysis including: • rational consumers who prefer more to less, • a two-good world, • the goods can be substituted for each other, • perfect knowledge of the market. • Definition of marginal and total utility. • Explanation of diminishing marginal utility. • The analysis of the change in the price of a good and the explanation of how much the consumer will purchase as the price changes. • The use of the equi-marginal principle to establish how consumers 'balance' their expenditure on goods as the price of one of them changes. $MU_x/P_x = \underline{MU_y/P_y}$ • The horizontal addition of individuals' demand curves to achieve the market demand curve. **AO3 Evaluation** • Consumer rationality: marginal utility theory assumes that consumers act rationally. They are of a calculating mind, carrying numerous combinations of different commodities in their heads, can substitute one for the other, compare their total utilities and make a rational choice between various combinations of goods. • Marginal utility theory has no provision for income and substitution effects so does not explain inferior goods. • It is difficult to compare the concept of changing the demand for expensive goods which are purchased infrequently with goods such as consumables. which are one-off indivisible purchases and the choice is between, for example, 1 fridge and 4 weeks' food.	**20**

Question	Answer	Marks
2	• A consumer is faced with a much more complex world than the two-good world of the model because a consumer buys not just two but many commodities to satisfy their innumerable wants. 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 rowspan="3">3</td><td>Governments and trade unions should be excluded from taking part in wage negotiations as their intervention always causes higher levels of unemployment.

With the help of a diagram(s), 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
• Explanation and analysis of wage determination in perfect competition.
• Determination of marginal physical productivity of labour (MPP).
• Calculation of marginal revenue product (MRP) = MPP × Price. (Demand for labour)
• Determination of supply of labour
• Wage determination by MRP and Supply of labour. Diagram to show industry/firm wages from supply and demand for labour
• Intervention of government/trade union to set minimum wage. Diagram to show demand falls and supply rises to create unemployment.

AO3 Evaluation

• Is the perfectly competitive market view of wage determination based on realistic assumptions of perfect knowledge, movement etc.
• Trade unions can negotiate productivity agreements which raise MPP and hence the demand for labour increases.
• Governments often act as monopsonistic employers and may exploit their employees, and higher wages may reflect MRP.

Accept all valid responses.</td><td>20</td></tr>
<tr><td>AO1 Knowledge and understanding and AO2 Analysis</td><td>14</td></tr>
<tr><td>AO3 Evaluation</td><td>6</td></tr>
</table>

Section C Macroeconomics

Question	Answer	Marks
EITHER		
4	**Evaluate whether the quantity theory of money is a satisfactory explanation of the cause of inflation.** 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** • A monetarist view of inflation caused by an increase in the money supply. • The quantity theory of money states MV = PQ • Definitions of M, V, P, and Q. • Explanation and analysis of how changes in M will affect P given the assumptions regarding V and Q to show that P is proportionate to M. **AO3 Evaluation** • This assumes that Q the quantity of output is constant (perfectly inelastic). In the short run with unemployment Q can grow as unemployment falls. It also ignores that in the long run there be technological development that raise productivity or the discovery of resources that allow Q to increase. • V the velocity of circulation is assumed to be constant, but this may not be the case. If there are changes in people's transaction/precautionary demand for money the velocity may increase or decrease. • It ignores the exchange rate effects of an increase in the money supply. Changes in the money supply affect the rate of interest which in turn affects the relative demand for a country's currency. If M increases, then interest rates falls and the currency is sold reducing the foreign exchange rate. This affects the relative price of imports/exports and therefore the balance of trade (X-M) and thus Q as more imports and fewer exports take place. • Other explanations of inflation may provide a better analysis. • The quantity theory is an identity not an equation. Accept all valid responses.	**20**
	AO1 Knowledge and understanding and AO2Analysis	14
	AO3 Evaluation4	6

Question	Answer	Marks
OR		
5	**Consider whether the use of gross national income (GNI) alone is sufficient to measure the standard of living in a high-income country.** 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. **AO1 Knowledge and understanding and AO2 Analysis** • Definitions of GNI, standard of living material and non-material, and HIC • Conversion of GNI to **real** GNI **per capita** as a measure of material standard of living • Identification of link between material and non-material standard of living • Given the level of real GNI pc in HIC are the differences significant in a real sense? **AO3 Evaluation** • Problems of measuring real GNI pc Data collection, informal economy non-marketed activities • Changing range of goods and services • The impact of negative and positive externalities on the accuracy of the measure of the non-material standard of living • Impact on workers of striving for a high real GNI pc – long hours, commuting • Effects on sustainability of high GNI • Justified consideration of alternative measure of standard of living HDI/MPI etc. • Consideration of the Gini coefficient Accept all valid responses.	**20**
	AO1 Knowledge and understanding and AO2 Analysis	14
	AO3 Evaluation	6