

# Cambridge International AS & A Level

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**ECONOMICS****9708/43**

Paper 4 A Level Data Response and Essays

**October/November 2025****MARK SCHEME**Maximum Mark: 60

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**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 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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This document consists of **18** printed pages.

**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 descriptions 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.

## 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                                                                                    |
|  | Indicates knowledge and understanding of the concepts and issues relating to the question.                               |
|  | Indicates where the answer has demonstrated analysis.                                                                    |
|  | Indicates appropriate reference to the information provided                                                              |
|  | Expansion of point already made in response                                                                              |
|  | Indicates where the answer has demonstrated evaluation                                                                   |
|  | Indicates where the answer has demonstrated particularly strong/justified evaluation                                     |
|  | For use on <b>questions 2, 3, 4 and 5</b> . Indicates where the response has reached Level 1 in the Mark Scheme, Table A |
|  | For use on <b>questions 2, 3, 4 and 5</b> . Indicates where the response has reached Level 2 in the Mark Scheme, Table A |
|  | For use on <b>questions 2, 3, 4 and 5</b> . Indicates where the response has reached Level 3 in the Mark Scheme, Table A |
|  | Used when the benefit of the doubt is given in order to reward a response.                                               |
|  | Used when the answer or parts of the answer do not answer the question asked.                                            |

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

**Assessment objectives****AO1 Knowledge and understanding**

- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

**AO2 Analysis**

- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

**AO3 Evaluation**

- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

**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**.

| <b>Level</b> | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Marks</b> |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <b>3</b>     | <ul style="list-style-type: none"> <li>A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate.</li> <li>The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations.</li> <li>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.</li> <li>Responses are well-organised, well-focused and presented in a logical and coherent manner.</li> </ul> | <b>11–14</b> |
| <b>2</b>     | <ul style="list-style-type: none"> <li>Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies.</li> <li>The response addresses the general theme of the question and the relevant economic issues, with limited development.</li> <li>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.</li> <li>Responses are generally logical and coherent but are sometimes lacking in focus or organisation.</li> </ul>                                               | <b>6–10</b>  |
| <b>1</b>     | <ul style="list-style-type: none"> <li>A small number of relevant knowledge points are included and the response is limited by significant errors or omissions.</li> <li>The response has little relevance to the question.</li> <li>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.</li> <li>Responses show limited organisation of economic ideas.</li> </ul>                                                                                                                                                                                                                                       | <b>1–5</b>   |
| <b>0</b>     | <ul style="list-style-type: none"> <li>No creditable response.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>0</b>     |

**Table B: AO3 Evaluation**

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

| <b>Level</b> | <b>Description</b>                                                                                                                                                                                                                 | <b>Marks</b> |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <b>2</b>     | <ul style="list-style-type: none"><li>Provides a justified conclusion or judgement that addresses the specific requirements of the question.</li><li>Makes developed, reasoned and well-supported evaluative comment(s).</li></ul> | <b>4–6</b>   |
| <b>1</b>     | <ul style="list-style-type: none"><li>Provides a vague or general conclusion or judgement in relation to the question.</li><li>Makes simple evaluative comment(s) with no development and little supporting evidence.</li></ul>    | <b>1–3</b>   |
| <b>0</b>     | <ul style="list-style-type: none"><li>No creditable response.</li></ul>                                                                                                                                                            | <b>0</b>     |

## Section A Data response

| Question                                                               | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Marks |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Follow the point-based marking guidance at the top of this mark scheme |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |       |
| 1(a)                                                                   | <p><b>The article refers to the Gini coefficient. With the help of a diagram explain the link between a Gini co-efficient and a Lorenz curve.</b></p> <p>Accurately labelled Lorenz curve (2)<br/>           Formula to show calculation of Gini coefficient (1)<br/>           The Gini coefficient measures the extent to which the distribution of income, (or wealth), within a country is unequal. (1)<br/>           Gini value of 0 = perfect equality (1)<br/>           Gini value of 1 = perfectly unequal (1)</p> <p><b>Maximum 5 marks</b></p> <p>Explanation of meaning of Gini coefficient–value of 0 = perfectly equal distribution (1).<br/>           The Gini coefficient measures the extent to which the distribution of income, (or wealth), within a country is different. (1)</p> | 5     |
| 1(b)(i)                                                                | <p><b>Distinguish between equity and equality</b></p> <p>Equality generally refers to equal opportunity. (1)<br/>           Equity refers to the need to achieve greater fair outcomes. (1)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2     |
| 1(b)(ii)                                                               | <p><b>‘But, according to a newspaper, a lot of what is said about inequality is wrong.’</b></p> <p><b>Analyse whether there is a conflict between what the newspaper wrote about changes in equality and Table 1.1.</b></p> <p>Some limited supporting evidence, (1)<br/>           However, the text is a general overall average while the table is for a particular country. (1)<br/>           Text suggests a fall in inequality, Gini going down (1) Table suggests a rise in inequality, Gini going up. (1)<br/>           There is no conflict, regarding changes in the national income, both text and table say they have risen. (1)</p>                                                                                                                                                       | 5     |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Marks |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1(c)     | <p><b>With reference to the article, explain the idea of globalisation and assess whether there is enough evidence to conclude that globalisation has a net benefit for everyone.</b></p> <p>Globalisation means the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information. <b>(2)</b></p> <p>Benefits mentioned include increases in incomes, life expectancy (10 years in sub-Saharan Africa) and literacy rates. A fall in absolute poverty. A fall in inequality <b>(2)</b></p> <p>Drawbacks mentioned environmental issues, exploitation of workers, domestic unemployment, increasing dependence on other countries. <b>(2)</b></p> <p>The benefits have occurred while the population has increased so are probably substantial. However, there is no statistical information to compare the benefits with the drawbacks. Also it depends on what 'net benefit' means—does it mean an increase in quantity of goods, higher profits, or does it mean wider choice, better quality. It is difficult to make an overall assessment. <b>(2)</b></p> | 8     |

| Question      | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Marks |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>EITHER</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |       |
| 2             | <p><b>With the help of a diagram, evaluate the impact on consumers and producers of an increase in market contestability.</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>Market contestability should be explained by referring to how open a market might be to new competition.</li> <li>Existing factors which might limit contestability can be identified, including examples of barriers to entry, particularly high sunk costs.</li> </ul> | 20    |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Marks |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 2        | <ul style="list-style-type: none"> <li>Recognition and description of the conditions that will exist when a market is not contestable. A clearly labelled, accurate diagram should be provided showing profit maximization price and output. (accept either Oligopoly or Monopoly diagram)</li> <li>Analysis should examine the impact on consumers when barriers to entry are removed. A diagram could be used to indicate that consumers might benefit from lower prices and more choice</li> <li>Analysis can be used to assess the impact of an increase in contestability on firms. It is likely that abnormal profits might be reduced.</li> <li>Analysis could also be used to indicate why contestability might create incentives for a business to reduce their unit costs by avoiding any X-inefficiencies</li> </ul> <p><b>AO3 Evaluation</b></p> <ul style="list-style-type: none"> <li>The removal of barriers to entry and a subsequent loss of market share might mean that a firm cannot benefit from economies of scale to the same extent. It is possible that as a result of this lower prices might not be passed on to the consumer.</li> <li>The respective impact on consumers and producers will be determined by the degree of contestability introduced and how well it can be maintained.</li> <li>The type of industry will also determine whether an increase in contestability will have a positive effect on consumers and producers. For example, natural monopolies by their nature, are unlikely to become more efficient when barriers to entry are removed.</li> <li>Firms with high barriers to entry may lose the opportunity to make sufficient abnormal profits to ensure dynamic efficiency is maintained. This may lead to higher prices for some consumers.</li> <li>A conclusion should be attempted which examines the net benefits that might be gained by introducing more contestable markets to either/or consumers/producers</li> </ul> <p>Accept all valid responses.</p> <p><b>No diagram L2 Max</b></p> |       |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 14    |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 6     |
|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |       |

| Question  | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Marks |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>OR</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |       |
| 3         | <p><b>With the help of a diagram, assess the importance of the supply of labour in relation to the wage and employment levels for firms operating in perfectly competitive and monopsony labour markets.</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>• Characteristics of a perfectly competitive labour market should be described.</li> <li>• The assumptions which determine the shape of the supply of labour to a firm in a perfectly competitive labour market.</li> <li>• A diagram should be provided which shows how wages are determined and employment will be determined within a firm operating in a perfectly competitive labour market.</li> <li>• An explanation of how wages and employment might be determined in a monopsony labour market</li> <li>• Analysis should refer to the perfectly competitive labour market and why firms operating in this market have a perfectly elastic supply of labour and how this relates to demand for labour and employment</li> <li>• Analysis can be used to determine how an equilibrium wage would be determined in a monopsony labour market. The importance of an upward sloping supply of labour should be discussed.</li> <li>• Analysis should then be used to show why workers are likely to receive lower wages and less employment opportunities primarily due to the supply of labour being influenced by a monopsony buyer of labour.</li> </ul> | 20    |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Marks |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 3        | <b>AO3 Evaluation</b> <ul style="list-style-type: none"> <li>Although the supply of labour to a firm in a perfect labour market is perfectly elastic, this does not mean the wage rate is fixed. For example, an increase in labour productivity across the market will lead to an increase in the wage paid by each firm plus an increase in employment in each firm.</li> <li>It should also be recognized that a shortage of labour supply in a perfect labour market will also lead to higher wages paid by individual firms as well as an increase in unemployment.</li> <li>An increase in the marginal productivity in a perfect labour market within a firm will not lead to an increase in wages paid by the firm, nevertheless it should still lead to an increase of employment of labour.</li> <li>A firm in a monopsony market will employ labour up to the point where the marginal cost of employing labour is equal to the marginal revenue product of labour. This will mean that employees will receive a wage lower than that determined by the interaction of the supply of and demand for labour.</li> <li>Sometimes, a government will intervene in a monopsony labour by establishing a minimum wage, this will produce a perfectly elastic supply of labour at that wage, while increasing wages and employing. Trade union intervention may achieve a similar outcome.</li> <li>A conclusion should attempt to evaluate the state in the using the preceding discussion.</li> </ul> <p><b>No diagram L2 Max</b><br/><b>Must refer to both markets for L3</b></p> <p>Accept all valid responses.</p> |       |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 14    |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 6     |

| Question      | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>EITHER</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |       |
| 4             | <p><b>With the help of a diagram, evaluate the effectiveness of using monetary policy to increase the rate of economic growth in an economy.</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>• A clear outline of different types of monetary policy, including changes to the money supply, changes in interest rates and exchange rate policy.</li> <li>• A detailed explanation of what is meant by 'economic growth' and why it is important.</li> <li>• An accurate, clearly labelled diagram indicating the link between an increase in aggregate monetary demand and an increase in real GDP/output.</li> <li>• Analysis can be used to show how a government will be able to increase the money supply, which in turn might reduce interest rates, increase investment and ultimately increase aggregate demand and GDP, thus achieving economic growth.</li> <li>• Central banks might directly reduce interest rates which would be expected to increase borrowing and consumer expenditure and ultimately lead to an increase in real GDP.</li> <li>• Alternative analysis might focus upon the impact of changes in the exchange rate and how a devaluation of the currency might lead to an export led growth of income, employment and real GDP.</li> </ul> <p><b>No diagram Max L3</b></p> | 20    |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Marks |
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| 4        | <b>AO3 Evaluation</b> <ul style="list-style-type: none"> <li>The immediate impact of monetary policy on income, output and growth will depend upon the existing state of the economy when the policy is introduced. The policy will have a greater impact when the economy has significant spare capacity.</li> <li>An increase of the money supply might be relatively ineffective due to the existence of the liquidity trap or due to a low elasticity of the MEC curve.</li> <li>Negative expectations would also determine the extent to which a decrease in interest rates is likely to increase consumer expenditure, which will then reduce the impact on output.</li> <li>Currency devaluation will only be effective if this results in a net increase in trade. This will be determined to some extent by the Marshall-Lerner condition.</li> <li>Increase in money supply might cause high inflation.</li> <li>In a situation of 'stagflation' when unemployment is high and prices are high the use of monetary policy might solve one problem at the expense of the other. A more appropriate long-term policy might be supply-side based. For example, investment in skills training/education</li> <li>A conclusion should attempt to assess the relative effectiveness of each type of policy approach and consider which approach is likely to be the most effective in the short run and then compare this with possible outcomes that might be achieved in the long run.</li> </ul> <p>Accept all valid responses.</p> |       |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 14    |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 6     |

| Question  | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Marks |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>OR</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |       |
| 5         | <p><b>The use of tariffs is the most effective way to correct a balance of payments deficit.</b></p> <p><b>With the help of a diagram, evaluate this statement</b></p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 14 marks. AO3 out of 6 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding and AO2 Analysis</b></p> <ul style="list-style-type: none"> <li>• Tariffs should be clearly explained as a tax on selected imports and such taxes will act as a barrier to free trade</li> <li>• The key elements of the balance of payments accounts should be briefly outlined</li> <li>• A balance of payments deficit should be explained and linked to its potential effects on a country's exchange rate.</li> <li>• An accurate, clearly labelled diagram should be provided which would form the basis for analysing the impact of a tariff on the balance of payments.</li> <li>• The focus of the analysis should be on the recognition that tariffs represent an expenditure switching policy which will rely significantly upon the response of the demand for imports in relation to a change in the price of imports.</li> <li>• Also, the analysis should recognize the overall impact of an increase in tariffs will be primarily upon the goods and services element of the balance of payments current account.</li> </ul> <p><b>No diagram Max L3–Micro diagram not acceptable</b></p> | 20    |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Marks |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 5        | <b>AO3 Evaluation</b> <ul style="list-style-type: none"> <li>Tariffs often produce a retaliation response by those countries which have to pay the tariff. This might significantly reduce the positive impact upon the balance of payments.</li> <li>The benefits of imposing a tariff regarding a balance of payments deficit will also be determined by the nature of the balance of payments deficit. Although tariffs might be suitable for a long-term, persistent deficit, alternative policies might be more effective for short-term, more temporary situations.</li> <li>Alternative methods of addressing the balance of payments deficit may be more appropriate. For example, an economy experience high inflation might use a more effective expenditure reducing policy to correct this deficit.</li> <li>The net effect on the current account will also be determined by the elasticity of demand for imports. Imports which are deemed inelastic will increase, rather than reduce total expenditure on imports when the price of imports rises.</li> <li>Other potential negative effects on the economy also need to be considered. For example, the loss of producer and consumer surplus.</li> <li>A conclusion might attempt to form an overall judgement on the short term and long-term impact on the balance of payments.</li> </ul> <p>Accept all valid responses.</p> |       |
|          | AO1 Knowledge and understanding and AO2 Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 14    |
|          | AO3 Evaluation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 6     |