



# Mock Exam 1

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**ECONOMICS**

**9708**

Paper 4 Data Response and Essays

MARK SCHEME

Maximum Mark: 60

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**Published**

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## Section A

### Answer 1

- (a) For a brief comment on a rise in output or shift in production possibility curve (1), further mark for an elaboration. Growth: an increase in the real level of net national product (national income) which can be indicated by an increase in GNP per capita. 2 marks for reasons – electricity shortage, low production, weak infrastructure, regulations, opposition by environmentalists. **[4]**
- (b) Brief comment on problems reported by businesses,(1) not overcome as there was an even bigger gap between demand and supply in 2011–12, (1), evidence from figures (1). **[3]**
- (c) Analysis suggests that profits will be high and that price will be above the cost of production. The monopolist can control prices or output, and is free to increase production/investment if it wishes. (2) Coal India controls 80% of production so could be classed as a monopoly. (1) Price controls have limited prices, profits and hence investment. Coal India cannot determine the price. Competition is from foreign suppliers and Coal India is unable to compete on price. (2) **[5]**
- (d) Coal India is forced to sell coal at 70% below the market price. This results in an unprofitable situation and a lack of investment in new mines and technology despite massive coal reserves. Investment multiplier, and thus potential growth, is reduced. (3) Low price encourages demand – in 2012 10.3% or 12.9% above supply – but is not met. Imports are required. These are expensive (Indonesia doubled prices) and again cause another leakage to the economy lowering growth. (2) The excess demand is due to artificially low prices and may be reduced if prices were increased. However, this may not be detrimental as the increase in price would generate more spending and more injection into the economy.(2) If answer is about disadvantages only max 6. **[8]**

## Section B

### Answer 2

Answer	Marks
<p data-bbox="207 411 1227 516"><b>‘The existence of externalities is neither a necessary nor a sufficient condition for government intervention to achieve efficiency in the economy.’</b></p> <p data-bbox="207 554 646 590"><b>Do you support this opinion?</b></p> <p data-bbox="207 627 1224 768"><i>Explanation of meaning of externalities and of efficiency. Government intervention does not necessarily require there to be externalities; neither does such intervention always result in efficiency so it is not a sufficient condition to ensure efficiency.</i></p> <p data-bbox="207 806 1232 984"><b>L4 (18–25 marks)</b> for a clear explanation of efficiency and of externalities; an evaluation of whether government intervention is necessary (for both positive and negative externalities) and a reasoned conclusion about both whether government intervention is ‘necessary’ and whether it would be ‘sufficient’ to achieve efficiency. Maximum 21 for no conclusion.</p> <p data-bbox="207 1022 1268 1163"><b>L3 (14–17 marks)</b> for an explanation of externalities but a weaker comment on efficiency, briefer discussion and evaluation. The evaluation would probably concentrate on the ‘necessary’ part of the quote and not deal with government failure making the intervention unlikely to be ‘sufficient’.</p> <p data-bbox="207 1201 1245 1306"><b>L2 (10–13 marks)</b> for a weaker explanation of efficiency and probably only a consideration of one type (positive or negative) of externality and little evaluation.</p> <p data-bbox="207 1344 1211 1449"><b>L1 (1–9 marks)</b> for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant</p>	<p data-bbox="1377 411 1414 447"><b>25</b></p>

### Answer 3

Answer	Marks
<p data-bbox="203 352 1218 493"><i>Explanation of oligopoly market structure, which gives rise to uncertainty and interdependence. Discussion of methods used to reduce these problems (Collusion, Non-price competition or Other) and the impact of these on the consumer.</i></p> <p data-bbox="203 535 1274 640"><b>L4 (18–25 marks)</b> For discussion of the methods used in oligopolistic competition to reduce uncertainty and interdependence and which considers the likely impact on the consumer. Maximum 21 if no conclusion.</p> <p data-bbox="203 682 1250 745"><b>L3 (14–17 marks)</b> For a competent analysis and a more limited discussion of the methods used and their impact on the consumer.</p> <p data-bbox="203 787 1120 829"><b>L2 (10–13 marks)</b> For accurate though undeveloped explanation.</p> <p data-bbox="203 861 1258 966"><b>L1 (1–9 marks)</b> For an answer which shows some knowledge but does not indicate that the question has been fully grasped, or where the answer contains irrelevancies and errors of theory.</p>	<p data-bbox="1372 352 1412 388"><b>25</b></p>

## Section C

### Answer 4

Answer	Marks
<p><i>The statement refers to developed and developing economies and some performance indicators. Candidates should clearly explain the difference between these terms. Answers should also recognise the links between developed and developing economies and the indicators. It should be recognised that although key performance indicators might be similar, it is often for different reasons and these reasons should be explained. Key elements of developing economies should also be identified to support the conclusion that significant differences between the two types of economy remain, regardless of the similarity of the performance indicators.</i></p> <p><b>L4 (18–25):</b> for an answer that attempts to discuss key differences between developed and developing economies which do not necessarily relate to performance indicators. A conclusion should be produced which emerges out of the discussion</p> <p><b>L3 (14–17):</b> for an answer that analyses the relation between different indicators and different types of economy. For example, causes of balance of payments deficits in developing economies are likely to be significantly different from those in a developed economy. This should be examined in relation to at least two indicators mentioned</p> <p><b>L2 (10–13):</b> for an answer that provides a basic description of the terms developed and developing and the possible differences in inflation unemployment and balance of payments deficits</p> <p><b>L1 (1–9):</b> for an answer that shows some knowledge but does not indicate that the question has been fully grasped or where the answer is mostly irrelevant</p>	<b>25</b>

### Answer 5

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