

NOVEMBER 2001

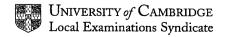
ADVANCED SUBSIDIARY LEVEL

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 8708/2

ECONOMICS (DATA RESPONSE AND ESSAY)



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		4-1				
1	а	(i)	 (i) Totals larger (1), deficit not surplus (1), goods deficit > services surplus (1) goods total ↓, services total ↑(1) 		(1),	
					Any 2	[2]
		(ii)		goods easier or more traditional (1), greater comparative advan explanation of services strength or goods weaknesses (2)	tage in	[3]
	b	(i)	Governm	ent expenditure, I.P.D., transfers, net property income	Any 1	[1]
	b	(ii)	£9390m ((total sufficient)		[1]
	С	(i)		1), export prices rise reducing exports (1), import prices fall incr 1). Credit reverse J curve approach and Marshall-Lerner.	reasing	[3]
	С	(ii)	contradic elasticity	-8 for goods worsens confirming (1), position for services improves ting (1), current balance worsens after lag (1), comment on rela or time lag or other relevant points (1). Candidates are likely to 1996-8 but 1993 also acceptable.	ative	[4]
	d		In favour: cut outflo Against: i demand, possible. Up to (4)	of tariff (1). avoid harm to confidence or need to deflate and may raise rev w of currency and boost employment. Inflationary, against comparative advantage, ineffective with ine breach of trade obligations, deficit covered elsewhere and retal marks for clear explanation with (1) more for comment/evaluati is requires both sides be considered. List = maximum (2).	lastic liation	[6]
2	а		work. Co maximisa allocatior higher re depends	chanism is the centre-piece with demand and supply influences on sumers aim to maximise satisfaction while producers aim at pation. Changes in demand and supply send signals about reson through price changes. Resources transfer to those areas offwards and leave those where rewards are falling. The operation upon the assumptions of the model. Detailed account working through changes with clear assumptions. Understanding of adjustment within system. Basic knowledge of the price system.	e satisfaction while producers aim at profit d and supply send signals about resource Resources transfer to those areas offering here rewards are falling. The operation of the model. g through changes with clear assumptions (7-8) ment within system (4-6)	
	b		welfare. goods, th competiti taxation,	nents intervene to correct market failure and promote consumer. Market failure includes externalities, non-provision of public and ne existence of demerit goods, price instability and the breakdown ion, others may be suggested. The methods used can include subsidies, direct provision of goods and service and prohibition in be judged by their effectiveness and drawbacks. Analysis of the need for and methods used in government action of the link between market failure and relevant policies Knowledge of the idea of market failure	d merit wn of es. ion (9-12)	[12]

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3 a	The meaning of money and its functions of medium of exchange, unit of account, store of value and standard of deferred payment link to the ear which specialisation, trade and long term planning can take place. The contribute to efficiency and higher standards of living found in modern economies. Level 3 Explanation of the contribution of the functions of money to open the contribution of the functions of money. Level 2 Understanding of the functions of money. Level 1 Knowledge of the concept of money and/or its functions.	se with se	[8]
3 b	Changes are measured by price indices. The problems include their comprehensiveness, the accuracy of weighting, the collection of data, the frequency of changes in data, the effects of quality changes and the surfor purpose. These can be mitigated by frequent updating, willingness spend on data collection, a range of alternative measures and appropri interpretation. Inaccuracy causes problems in interpreting and respond the current position for individuals, firms and governments. Level 3 Discussion of the problems and their significance Level 2 Explanation of the problems Level 1 Understanding of the features of a price index	itability to ate	[12]
4 a	The concepts relate changes in quantity demanded to own price and in respectively. This can be shown by definition or formula. PED normall negative value and YED a positive value reflecting the response to a change the variable. Level 3 Comparison of the two Level 2 Clear understanding of one concept to (5), both to (6) Level 1 Basic knowledge of one to (2) or both concepts to (3)	y has a	[8]
4 b	PED can be used to set pricing policy with reference to the effect upon of price changes. YED might indicate the need for changes in productivelevels, or products, or markets depending upon positive or negative valuation may be needed in using the concepts based on their accuracy reliability and the ability to predict behaviour. Level 3 Discussion of uses and limitations in application Level 2 Explanation of use linked to values of estimates Level 1 Identification of the uses of the two concepts	on lues.	[12]

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