

Markscheme

May 2022

Economics

Standard level

Paper 1

11 pages

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Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

1. (a) Governments intervene in markets to support firms and to promote equity. Explain **one** policy that could be used to support firms **and one** policy that could be used to promote equity.

[10]

Answers **may** include:

- Terminology: government intervention, market, equity
- Explanation: of any **one** policy to support firms, such as a subsidy, a minimum price (price floor) or trade protection **and any one** policy to promote equity, such as a maximum price (price ceiling), direct government provision of services or subsidy, progressive taxation (labour market)
- Diagram: any relevant diagram illustrating the particular policy being explained.

A maximum of [6] should be awarded if only **one** policy/objective is addressed.

Assessment Criteria

Part (a) 10 marks

Marks	Level descriptor
0	<ul style="list-style-type: none"> • The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • The response indicates little understanding of the specific demands of the question. • Economic theory is stated but it is not relevant. • Economic terms are stated but they are not relevant.
3–4	<ul style="list-style-type: none"> • The response indicates some understanding of the specific demands of the question. • Relevant economic theory is described. • Some relevant economic terms are included.
5–6	<ul style="list-style-type: none"> • The response indicates understanding of the specific demands of the question, but these demands are only partially addressed. • Relevant economic theory is partly explained. • Some relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included.
7–8	<ul style="list-style-type: none"> • The specific demands of the question are understood and addressed. • Relevant economic theory is explained. • Relevant economic terms are used mostly appropriately. • Where appropriate, relevant diagram(s) are included and explained.
9–10	<ul style="list-style-type: none"> • The specific demands of the question are understood and addressed. • Relevant economic theory is fully explained. • Relevant economic terms are used appropriately throughout the response. • Where appropriate, relevant diagram(s) are included and fully explained.

- (b) Using real-world examples, evaluate the effects for stakeholders of a government imposing an indirect tax on a particular good.

[15]

Answers may include:

- Terminology: indirect tax, stakeholders
- Explanation: that the tax will shift the supply curve to the left/upwards, increase the price and reduce the quantity demanded/supplied; explanation of the possible consequences for consumers, producers, workers, the government and society as a whole
- Diagram: a demand and supply diagram showing the impact of a shift of the supply curve to the left increasing price and reducing quantity demanded/supplied
- Synthesis (evaluate): the importance of PED and PES, the impact on resource allocation and allocative efficiency, whether the tax is specific or ad valorem, the regressive nature of indirect tax and the extent of the increase in taxation
- Examples: use of real-world examples to show instances of indirect taxes being imposed on goods.

*A maximum of [9] should be awarded if only **one** stakeholder is mentioned.*

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

N.B. *It should be noted that definitions, theory and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.*

Assessment Criteria

Part (b) 15 marks

Marks	Level descriptor
0	<ul style="list-style-type: none"> The work does not reach a standard described by the descriptors below.
1–3	<ul style="list-style-type: none"> The response indicates little understanding of the specific demands of the question. Economic theory is stated but it is not relevant. Economic terms are stated but they are not relevant. The response contains no evidence of synthesis or evaluation. A real-world example(s) is identified but it is irrelevant.
4–6	<ul style="list-style-type: none"> The response indicates some understanding of the specific demands of the question. Relevant economic theory is described. Some relevant economic terms are included. The response contains evidence of superficial synthesis or evaluation. A relevant real-world example(s) is identified.
7–9	<ul style="list-style-type: none"> The response indicates understanding of the specific demands of the question, but these demands are only partially addressed. Relevant economic theory is partly explained. Some relevant economic terms are used appropriately. Where appropriate, relevant diagram(s) are included. The response contains evidence of appropriate synthesis or evaluation but lacks balance. A relevant real-world example(s) is identified and partly developed in the context of the question.
10–12	<ul style="list-style-type: none"> The specific demands of the question are understood and addressed. Relevant economic theory is explained. Relevant economic terms are used mostly appropriately. Where appropriate, relevant diagram(s) are included and explained. The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. A relevant real-world example(s) is identified and developed in the context of the question.
13–15	<ul style="list-style-type: none"> The specific demands of the question are understood and addressed. Relevant economic theory is fully explained Relevant economic terms are used appropriately throughout the response. Where appropriate, relevant diagram(s) are included and fully explained. The response contains evidence of effective and balanced synthesis or evaluation. A relevant real-world example(s) is identified and fully developed to support the argument.

2. (a) Explain how the use of supply-side policies might encourage greater domestic competition **and** improve the international competitiveness of a country. **[10]**

Answers may include:

- Terminology: supply-side policies, international competitiveness, competition
- Explanation: of how the use of market-based supply-side policies such as privatization, deregulation, trade liberalization and anti-monopoly legislation and interventionist supply-side policies such as government spending on education and training, R&D and infrastructure might encourage greater competition; an explanation that international competitiveness may be improved as a result of the LRAS increasing and lowering the rate of inflation/the price level, hence making exports relatively cheaper
- Diagram: an AD/AS diagram showing a rightward shift of LRAS.

*A maximum of [6] should be awarded if only **one** of the two goals in the question item is addressed.*

Assessment Criteria

Part (a) 10 marks

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0	<ul style="list-style-type: none"> • The work does not reach a standard described by the descriptors below.
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9–10	<ul style="list-style-type: none"> • The specific demands of the question are understood and addressed. • Relevant economic theory is fully explained. • Relevant economic terms are used appropriately throughout the response. • Where appropriate, relevant diagram(s) are included and fully explained.

- (b) Using real-world examples, evaluate the view that the use of interventionist supply-side policies is the most effective way of reducing a country's rate of unemployment.

[15]

Answers may include:

- Terminology: interventionist supply-side policies, unemployment
- Explanation: of the view in terms of the successful implementation of interventionist supply-side policies increasing the productive capacity of the economy, increasing the demand for labour in the long run and thus lowering the level of unemployment; such policies are also likely to increase AD
- Diagram: an AD/AS diagram to show LRAS being shifted to the right and/or AD shifting right
- Synthesis (evaluate): the supply-side policy applied depends on the type of unemployment, the limitations of using interventionist supply-side policy in reducing unemployment; interventionist policies compared with market-based supply-side policies; the potential benefits of alternative policies such as monetary and fiscal policies; consideration of “most effective”; overall assessment
- Examples: real-world examples of where governments have attempted to reduce unemployment using interventionist supply-side policies and/or other policies.

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

N.B. *It should be noted that definitions, theory and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.*

As the question requires an evaluation of the “most effective way”, a maximum of [12] should be awarded where no other policies are considered, as the question wouldn't be fully addressed. For [13] or more the synthesis and evaluation must be effective and balanced and there must at least be some mention of alternative policies.

Assessment Criteria

Part (b) 15 marks

Marks	Level descriptor
0	<ul style="list-style-type: none"> • The work does not reach a standard described by the descriptors below.
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4–6	<ul style="list-style-type: none"> • The response indicates some understanding of the specific demands of the question. • Relevant economic theory is described. • Some relevant economic terms are included. • The response contains evidence of superficial synthesis or evaluation. • A relevant real-world example(s) is identified.
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3. (a) Explain how political and social factors can act as barriers to economic growth **and** economic development.

[10]

Answers may include:

- Terminology: political and social barriers, economic growth, economic development
- Explanation: of any possible political/social barriers, which may inhibit growth and development, such as gender inequality, lack of governance, corruption, unequal political power and status, weak institutional framework involving the legal system, ineffective taxation structures, the banking system and property rights
- Diagram: use of an AD/AS diagram to illustrate economic growth, or a PPC or poverty cycle diagram.

A maximum of [6] should be awarded if only economic growth or economic development in the question item is addressed.

Assessment Criteria

Part (a) 10 marks

Marks	Level descriptor
0	<ul style="list-style-type: none"> • The work does not reach a standard described by the descriptors below.
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- (b) Using real-world examples, discuss the significance of economic barriers for a country's economic growth **and** economic development.

[15]

Answers may include:

- Terminology: economic barriers, economic growth, economic development
- Explanation: of how economic barriers such as increasing economic inequality, lack of access to infrastructure and appropriate technology, low levels of human capital, overdependence on primary sector, lack of access to international markets, informal economy, capital flight, indebtedness, geography, eg being landlocked and climate/disease may constrain growth and development
- Diagram: use of any relevant diagram such as PPC, poverty cycle, AD/AS
- Synthesis (discuss): the degree to which the various economic barriers act as a barrier to growth and development; the relative importance of economic barriers as compared to political/social barriers; overall assessment
- Examples: real-world examples of countries that have experienced economic barriers to growth and development.

Examiners should be flexible in the interpretation of the difference between economic and political/social barriers.

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

N.B. *It should be noted that definitions, theory, and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.*

A maximum of [9] should be awarded if only economic growth or economic development in the question item is addressed.

Assessment Criteria

Part (b) 15 marks

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