

Markscheme

May 2023

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) Explain **two** types of government intervention that could be used to correct the market failure arising from the consumption of demerit goods.

[10]

Answers **may** include:

- Terminology: market failure, demerit goods.
- Explanation: of any **two** types of government intervention such as indirect taxes, legislation and regulation, education/awareness creation/negative advertising.
- Diagram could show market failure of demerit goods and/or demand and supply diagram showing the consequence of the policy explained.

A maximum of **[6]** should be awarded if **only one** form of government intervention is explained.

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, discuss whether public goods should always be provided directly by the government.

[15]

Answers may include:

- Terminology: public good.
- Explanation: of why the government should directly provide public goods in terms of the advantages involved, such as overcoming the problem of the market not allocating resources to the production of public goods due to the features of non-excludability and non-rivalry, and the free rider problem; the positive externalities associated with public goods; the possible impact of extra government spending on AD and or LRAS.
- Diagram: no diagram is required for this question, although some candidates may choose to use a diagram related to the question.
- Synthesis (discuss): in terms of the possible reasons why the government should not directly provide public goods, such as the additional government spending involved and the problem of opportunity cost; the problem of deciding which public goods should be provided and in what quantities; the difficulty of estimating future benefits in any cost benefit analysis; the possible benefits to be achieved by contracting out to the private sector.
- Examples: use of real-world examples of public goods being directly provided by the government with associated advantages or disadvantages.

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.

Examiners should be aware that candidates may take a different approach which, if appropriate, 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 the difficulties involved in measuring poverty. [10]

Answers may include:

- Terminology: poverty.
- Explanation: of the difficulties in terms of the different types of poverty, eg absolute and relative, and poverty measured on the basis of income as compared to multi-dimensional poverty; measurement problems involving income versus wealth; problems of using household surveys, differences in costs of living, how far people in poverty are below the poverty line, where to draw the poverty line.
- Diagram: no diagram is required for this question, although some candidates may choose to use a diagram related to the question.

*A maximum of [6] should be awarded if **only one** difficulty is explained.*

Assessment Criteria

Part (a) 10 marks

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- (b) Using real-world examples, evaluate the view that inequality can best be reduced through the use of taxation.

[15]

Answers may include:

- Terminology: inequality, taxation.
- Explanation: of the view in terms of the use of progressive taxes and how they can work to make the post-tax distribution of income more equal; the difficulty of reducing income inequalities through any means other than progressive taxation; the selective use of indirect taxes involving higher taxes on luxury goods consumed by the better off and lower taxes/no taxes on essential items needed by the poor.
- Diagram: use of an appropriate diagram, such as the Lorenz curve to show the impact on inequality.
- Synthesis (evaluate): a challenge to the view in terms of the possible disincentive effects of progressive taxation and the problems of using indirect taxes; a consideration of alternative measures such as use of transfer payments, a universal basic income, minimum wages, policies to reduce discrimination, other policies to reduce inequalities of opportunity, such as health and education.
- Examples: real-world examples of changes in taxation and/or other policies reducing inequality.

*A maximum of [12] should be awarded if **only** changes in taxation are considered.*

***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.*

Examiners should be aware that candidates may take a different approach which, if appropriate, 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.
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3. (a) Explain **two** reasons why a high level of government indebtedness can act as a barrier to economic growth.

[10]

Answers **may** include:

- Terminology: indebtedness, economic growth.
- Explanation: of any two reasons that government indebtedness could act as barrier to economic growth, such as the opportunity cost to governments of debt repayments and interest costs; the problem of a debt trap and the ability to repay debt; the need to increase taxes and reduce government spending.
- Diagram: any relevant diagram such as an AD/AS diagram to illustrate economic growth/lack of economic growth or a PPC diagram to illustrate opportunity cost.

A maximum of [6] should be awarded if **only one** reason is considered.

Assessment Criteria

Part (a) 10 marks

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- (b) Using real-world examples, evaluate the effectiveness of foreign aid in promoting economic development.

[15]

Answers may include:

- Terminology: foreign aid, economic development.
- Explanation: of the possible advantages of foreign aid in terms of breaking the poverty trap, bridging the foreign exchange gap, the impact of increased investment on growth, the linkages between aid, poverty reduction and economic development.
- Diagram: use of any relevant diagram such as PPC, poverty cycle, AD/AS.
- Synthesis (evaluate): in terms of the reasons why foreign aid may not be effective in promoting development, such as corruption and aid not reaching the intended beneficiaries, the encouragement of dependency, tied aid designed to further the political ends of donor countries.
- Examples: real-world examples of countries which have been recipients of aid and the effectiveness or otherwise of that aid in promoting development.

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Assessment Criteria

Part (b) 15 marks

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