

Markscheme

November 2023

Economics

Standard level

Paper 2

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Notes for examiners:

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

2. Whenever relevant, carry over marks must be awarded. If a candidate makes an error in calculation, but then uses the incorrect figure appropriately and accurately in later question parts, then the candidate may be fully rewarded. This is the “own-figure rule” and you should put OFR on the script where you are rewarding this.

3. A candidate may be penalized for not rounding correctly, failing to give answers correct to 2 dp or, in some cases, for not including the appropriate units. However, a candidate may only be penalized ONCE per question (not per part) for each type of error.

1. (a) (i) Define the term *floating exchange rate* indicated in bold in the text (**Text A**, paragraph 3).

[2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Vague definition</i>	1
	The idea that it is a currency/exchange rate that fluctuates/changes.	
2	<i>Accurate definition</i>	2
	A clear understanding that it is an exchange rate that is determined by market forces (without intervention).	

- (ii) Define the term *carbon taxes* indicated in bold in the text (**Text B**, paragraph 3).

[2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Vague definition</i>	1
	The idea that they are taxes levied on carbon emissions (carbon content of fuel) OR that they help the environment or reduce pollution (address market failure).	
2	<i>Accurate definition</i>	2
	A clear understanding that they are taxes levied on carbon emissions (carbon content of fuel) to reduce external costs/protect the environment (they are Pigouvian taxes).	

- (b) (i) Using information from **Text C**, paragraph 2, calculate the percentage change in quantity demanded for public transport in Poland’s capital city if the ticket price is reduced from 4.40 zloty to 4.00 zloty. [3]

$$\% \text{ change in ticket price} = -0.4/4.4 \times 100 = -9.09 \text{ (OR -9.0909)}$$

$$\text{PED} = -0.38 = \frac{x}{-9.09}$$

$$x = -9.09 \times -0.38 \quad [2]$$

Any valid working should be rewarded with at least [1]

3.45 (%) [1]

An answer of 3.45 without workings is sufficient for [2].

For full marks to be awarded, the response must provide valid working. OFR applies.

- (ii) Using information from **Table 1**, calculate Poland’s **real** central bank interest rate in 2020. [2]

0.10 – 3.37 [1]

Any valid working should be rewarded with [1]

- 3.27 % [1]

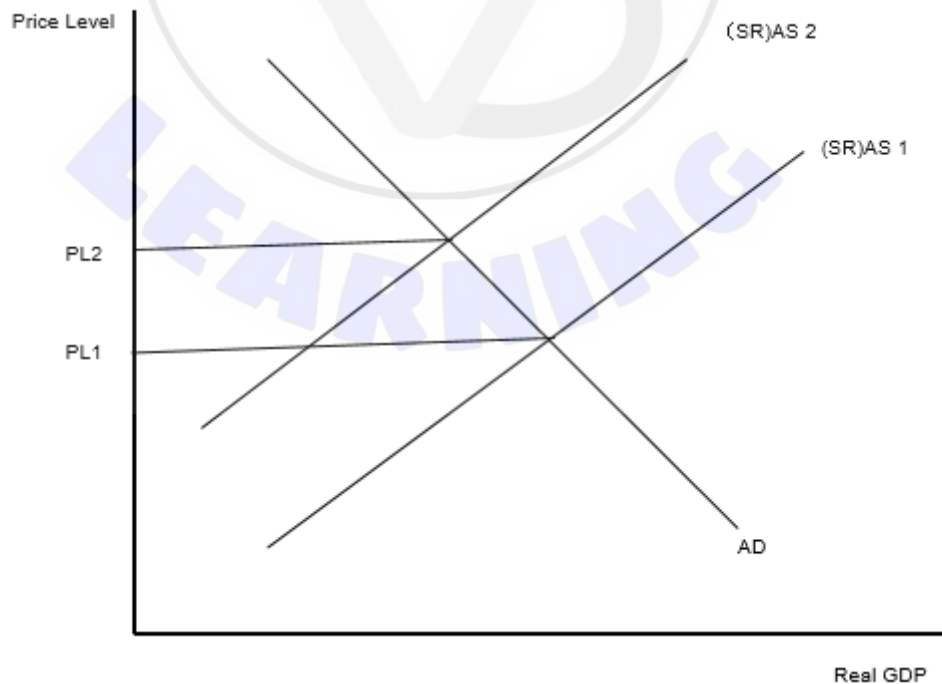
An answer of -3.27 without workings is sufficient for [1].

For full marks to be awarded, the response must provide valid working and include correct units (% in this case).

- (c) Using an AD/AS diagram, explain why conditions in Poland’s labour market are causing inflationary pressures in the economy (**Text A**, paragraph 2). [4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct AD/AS diagram with appropriate labelling, showing AS shifting upwards and a rise in the price level OR for an explanation that the excess demand/shortages in the labour market will result in either: <ul style="list-style-type: none"> wages increasing which will raise costs (of production) OR <ul style="list-style-type: none"> a reduction in production leading to a fall/shift left of AS and resulting in a rise in the price level/inflation. 	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct AD/AS diagram with appropriate labelling, showing AS shifting upwards and a rise in the price level AND for an explanation that the excess demand/shortages in the labour market will result in either: <ul style="list-style-type: none"> wages increasing which will raise costs (of production) OR <ul style="list-style-type: none"> A reduction in production leading to a fall/shift left of AS and resulting in a rise in the price level/inflation. 	

Candidates who incorrectly label diagrams can be awarded a maximum of [3].



For an AD/AS diagram, the vertical axis may be Average (General) Price Level or Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS curve is acceptable. A title is not necessary.

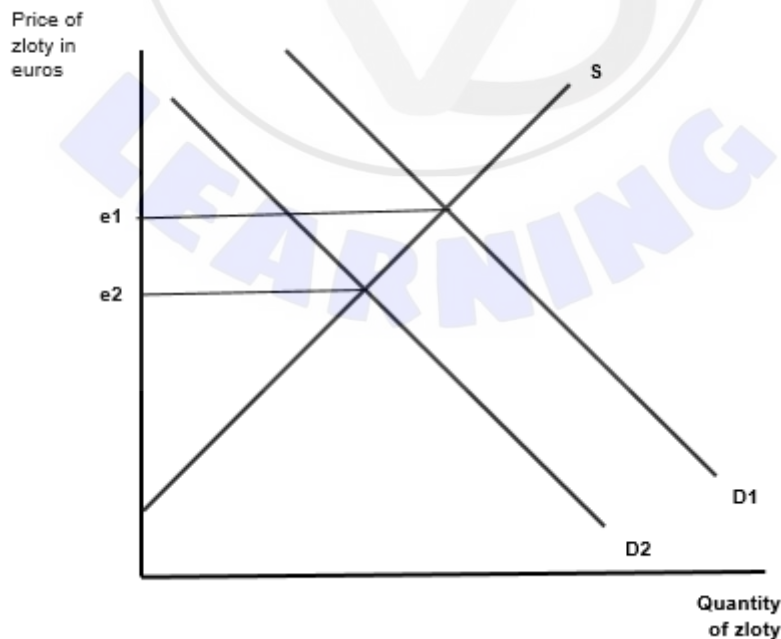
- (d) Using an exchange rate diagram, explain the possible effect of different relative inflation rates in Poland and the EU in 2021 on the exchange rate of the zloty (Text A, paragraph 2).

[4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct exchange rate diagram with appropriate labelling, showing demand shifting left and the exchange rate decreasing OR for an explanation that (relatively) higher inflation in Poland makes Polish exports less competitive in foreign markets, which will decrease the demand for zloty on the foreign exchange market, leading to a fall in the exchange rate/depreciation.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct exchange rate diagram with appropriate labelling, showing demand shifting left and the exchange rate decreasing AND for an explanation that (relatively) higher inflation in Poland makes Polish exports less competitive in foreign markets, which will decrease the demand for zloty on the foreign exchange market, leading to a fall in the exchange rate/depreciation.	

Alternatively, candidates may consider that imported goods may become more competitive than domestically produced goods and this may result in an increase in the supply of zloty. If appropriately explained and accompanied by a diagram illustrating an increase in supply, this approach can be fully rewarded.

Candidates who incorrectly label diagrams can be awarded a maximum of [3].

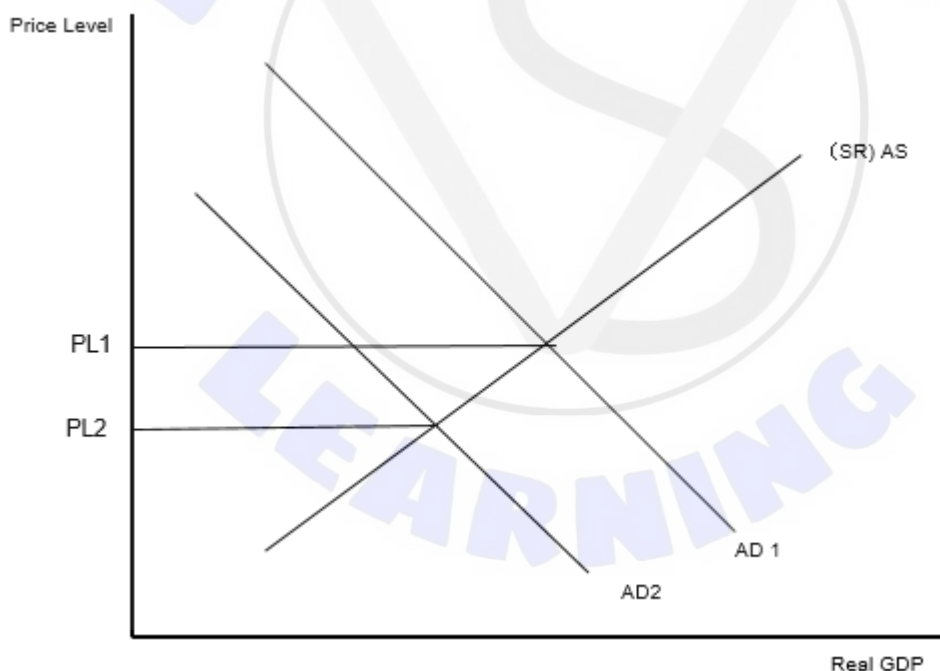


The vertical axis may be exchange rate, value/price of zloty in another currency, other currency/zloty or other currency per zloty. The horizontal axis may be quantity or quantity of zloty. All abbreviations are acceptable. A title is not necessary.

- (e) Using an AD/AS diagram, explain how the Polish central bank’s monetary policy may affect the inflation rate (**Text A**, paragraph 2). **[4]**

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct AD/AS diagram with appropriate labelling, showing AD shifting left and a fall in the price level OR for an explanation that higher interest rates increase the cost of borrowing (or increase the return to saving) which leads to less consumption/investment and therefore reduces AD which decreases the price level resulting in less inflation.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct AD/AS diagram with appropriate labelling, showing AD shifting left and a fall in the price level AND for an explanation that higher interest rates increase the cost of borrowing (or increase the return to saving) which leads to less consumption/investment and therefore reduces AD which decreases the price level resulting in less inflation.	

Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.



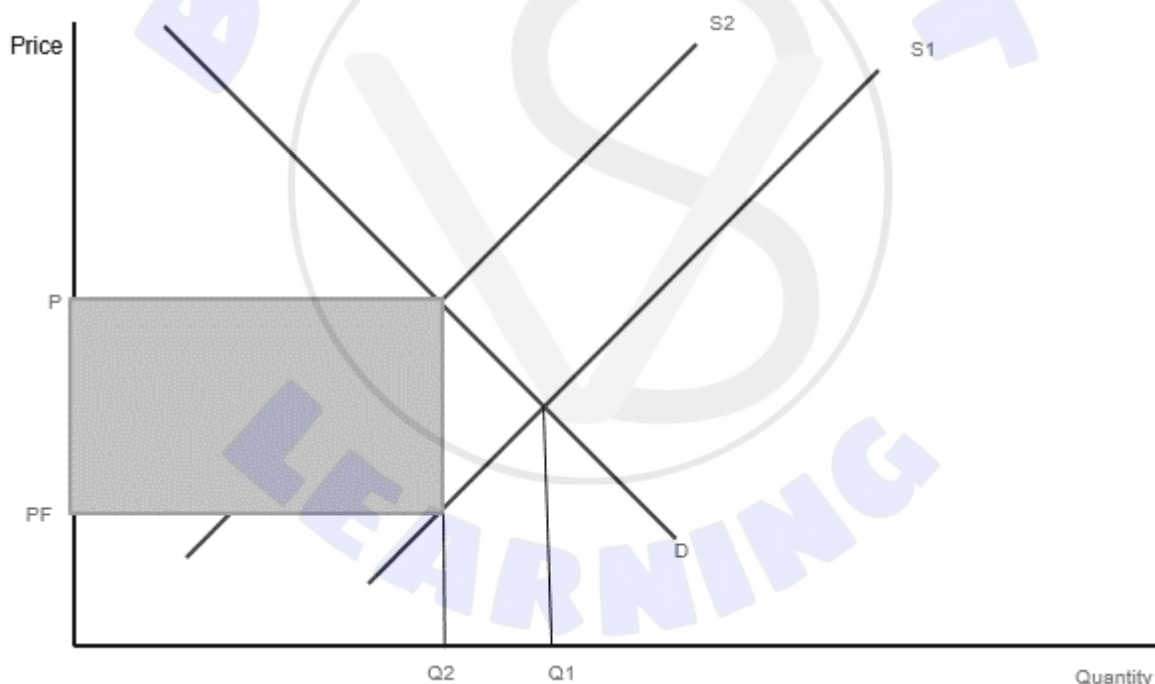
For an AD/AS diagram, the vertical axis may be Average (General) Price Level or Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS curve is acceptable. A title is not necessary.

- (f) Using a demand and supply diagram, explain how a tax on cars in Poland provides tax revenue (**Text B**, paragraph 3).

[4]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram OR an accurate written response.	1–2
	For a correct demand and supply diagram with appropriate labelling, showing the supply shifting left and the tax revenue OR an explanation that (as the tax raises costs) the supply decreases, causing the price to rise and tax revenue to be obtained.	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correct demand and supply diagram with appropriate labelling, showing the supply shifting left and the tax revenue AND an explanation that (as the tax raises costs) the supply decreases, causing the price to rise and tax revenue to be obtained.	

Candidates who incorrectly label diagrams can be awarded a maximum of [3].



The vertical axis may be price or P. The horizontal axis may be quantity or Q. A title is not necessary.

Candidates may indicate the tax revenue with shaded areas or numbers/letters in the diagram (eg 'area ABCD'). Some candidates may show two tax revenue boxes with an increase in tax revenue due to the tax being raised. This should be fully rewarded, if appropriately explained.

- (g) Using information from the texts/data and your knowledge of economics, discuss whether there is a conflict between economic growth and environmental sustainability in Poland.

[15]

Level		Marks
0	<ul style="list-style-type: none"> The work does not meet a standard described by the descriptors below. 	0
1	<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. The response contains no use of text/data. 	1-3
2	<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. The response contains limited use of text/data. 	4-6
3	<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. The response includes some relevant information from the text/data. 	7-9
4	<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 appropriately. Where appropriate, relevant diagram(s) are included and explained. The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. The use of information from the text/data is generally appropriate, relevant, and applied correctly. 	10-12
5	<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. The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation. 	13-15

Command term

“Discuss” requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Answers **may** include:

- Definition of growth
- Definition of sustainable/sustainability
- An externalities diagram
- A PPC diagram
- An AD/AS diagram.

Ways in which growth does not conflict with environmental sustainability:

- growth of GDP/capita is high and with higher incomes people often become more environmentally conscious (**Table 1**)
- positive and growing balance of trade surplus means that cleaner technology can be imported (**Table 1**; **Text A**, paragraph 3)
- population is declining leading to less pressure on resources (**Table 2**)
- inequality is relatively low (small and decreasing Gini coefficient) and therefore more carbon taxes can be applied (**Table 2**)
- the HDI level implies that the population is educated and healthy, with rising life expectancy (**Table 2**)
- increased R&D and training will improve both growth and the environment, if new technologies are implemented (**Text A**, paragraph 4; **Table 1**)
- programmes to increase renewables and decrease emissions are being implemented (**Text B**, paragraph 1)
- a small decrease in the use of fossil fuels to produce energy (**Table 2**)
- can achieve both growth and sustainability with increased government spending (**Text B**, paragraph 2)
- improved public transport will improve the environment while also increasing growth through better infrastructure, productivity and mobility (**Text C**, paragraph 2).

Ways in which growth does conflict with environmental sustainability:

- increased GDP/capita leads to more spending on cars and electricity (**Table 1**; **Text C**, paragraph 1)
- carbon dioxide emissions per capita have risen (**Table 2**)
- budgetary constraints in the future mean less government expenditure available for environmental projects (**Text A**, paragraph 1)
- still very dependent on fossil fuels to produce energy relative to the EU (**Text A**, paragraph 5)
- relatively many deaths due to air pollution (**Text A**, paragraph 5)
- an ageing population may be less environmentally conscious (**Text A**, paragraph 1)
- specialized in low and medium technology, therefore high-tech products that are better for the environment have to be imported (**Text A**, paragraphs 3 and 4)
- a lack of training for labour and low spending on R&D make it difficult to implement clean technology (**Text A**, paragraph 4; **Table 1**)
- dependence on coal-fired power plants, which have high negative externalities (**Text A**, paragraph 5; **Table 2**)
- extra carbon taxes and other measures to improve environment may affect lower income households adversely and increase inequality (**Text B**, paragraph 3)
- it is difficult to encourage people, who prefer cars as a luxury good when their income rises, to switch to public transport (possibly seen as an inferior good) due to low PED (**Text C**, paragraphs 1 and 2).

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

2. (a) (i) Define the term *common pool resources* indicated in bold in the text (**Text D**, paragraph 5). [2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Vague definition</i>	1
	The idea that they are resources that are over-used OR resources for which there is no clear (private) ownership OR resources that are non-excludable.	
2	<i>Accurate definition</i>	2
	An understanding that they are resources that are non-excludable AND rivalrous.	

- (ii) Define the term *Multidimensional Poverty Index (MPI)* indicated in bold in the text (**Text E**, paragraph 1). [2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Vague definition</i>	1
	The idea that it measures the intensity/deprivations of poverty.	
2	<i>Accurate definition</i>	2
	An understanding that it is a (composite) index which measures the intensity/deprivations of poverty by looking at factors other than income (education, health and living standards).	

- (b) (i) Using information from **Table 3**, calculate Senegal's **real** GDP (in US\$) in 2020. [2]

$$\frac{24.64}{106.11} \times 100 \quad [1]$$

Any valid working should be rewarded with [1].

23.22 billion **OR** 23 221.19 million [1]

An answer of 23.22 without workings or without units is sufficient for [1].

For full marks to be awarded, the response must provide valid working and include correct units.

- (ii) Using information from **Table 5**, calculate Senegal's current account balance (in US\$) in 2018. [2]

$$5077 - 8747 + 444 - 1045 + 2059 \quad [1]$$

Any valid working should be rewarded with [1].

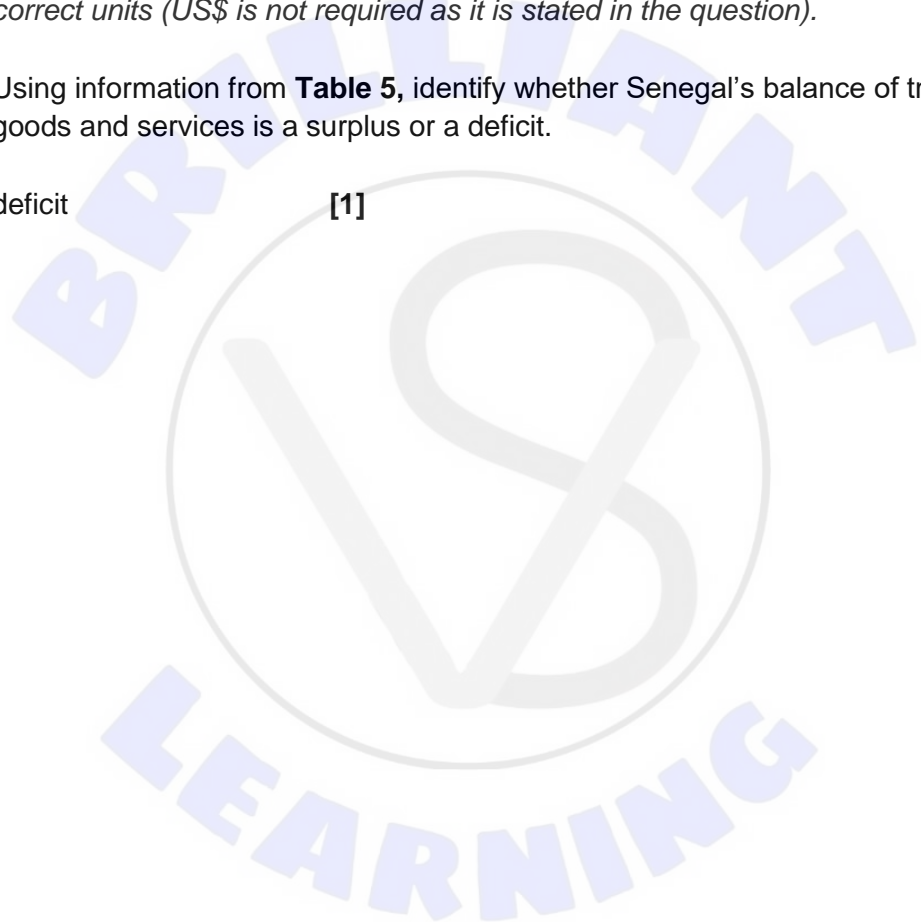
-2212 million **OR** -2.21 billion [1]

An answer of -2212 without workings or without units is sufficient for [1].

For full marks to be awarded, the response must provide valid working and include correct units (US\$ is not required as it is stated in the question).

- (iii) Using information from **Table 5**, identify whether Senegal's balance of trade in goods and services is a surplus or a deficit. [1]

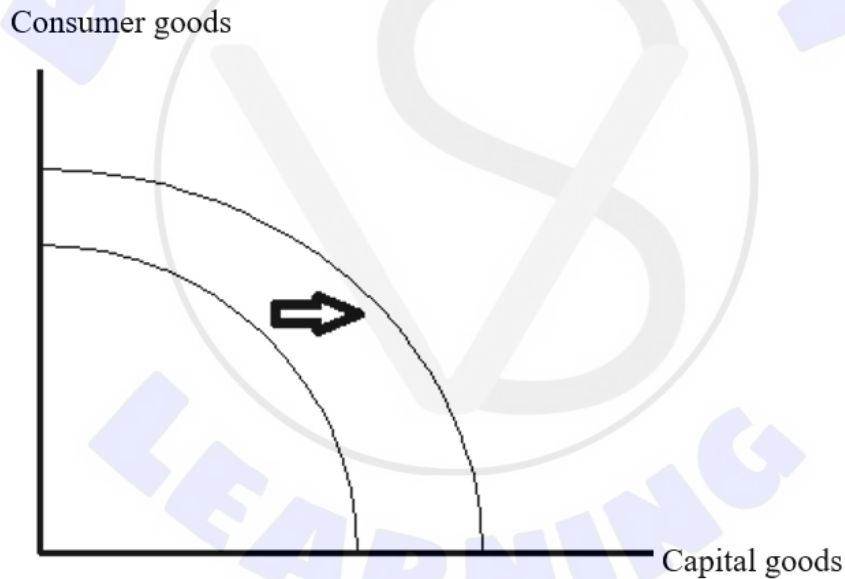
deficit [1]



- (c) Using a production possibilities curve (PPC) diagram, explain how the discovery of oil affected production possibilities in Senegal (**Text D**, paragraph 2). **[4]**

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct PPC diagram with appropriate labelling, showing the curve shifting out OR for an explanation that the discovered oil deposits (or imported machinery) resulted in an increase in the amount of resources/factors of production that allow for higher potential output (production possibilities).	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct PPC diagram with appropriate labelling, showing the curve shifting out AND for an explanation that the discovered oil deposits (or imported machinery) resulted in an increase in the amount of resources/factors of production that allow for higher potential output (production possibilities).	

Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.



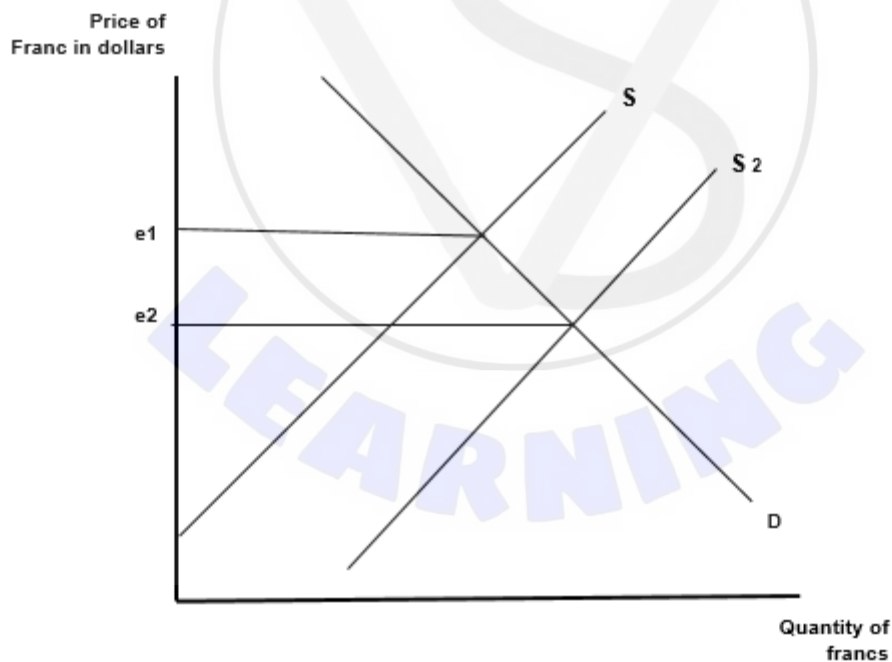
For a PPC diagram, there must be two goods or groups of goods competing for the same resources on the axes. Good X and Good Y are appropriate, but simply X and Y are not sufficient. A title is not necessary.

- (d) Using an exchange rate diagram, explain how the change in the balance of trade in goods between 2010 and 2020 may have changed the exchange rate of the West African CFA franc (**Table 3**).

[4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct exchange rate diagram with appropriate labelling, showing supply shifting right and the exchange rate decreasing OR for an explanation that the widening trade deficit implies higher imports leading to more sales of the franc in order to buy the imports, leading to a fall in the exchange rate/depreciation.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct exchange rate diagram with appropriate labelling, showing supply shifting right and the exchange rate decreasing AND for an explanation that the widening trade deficit implies higher imports leading to more sales of the franc in order to buy the imports, leading to a fall in the exchange rate/depreciation.	

Alternatively, candidates may consider that reduced export revenue might have decreased the demand for the currency. If appropriately explained and accompanied by a diagram showing a leftward shift of the demand curve, this approach can be fully rewarded.



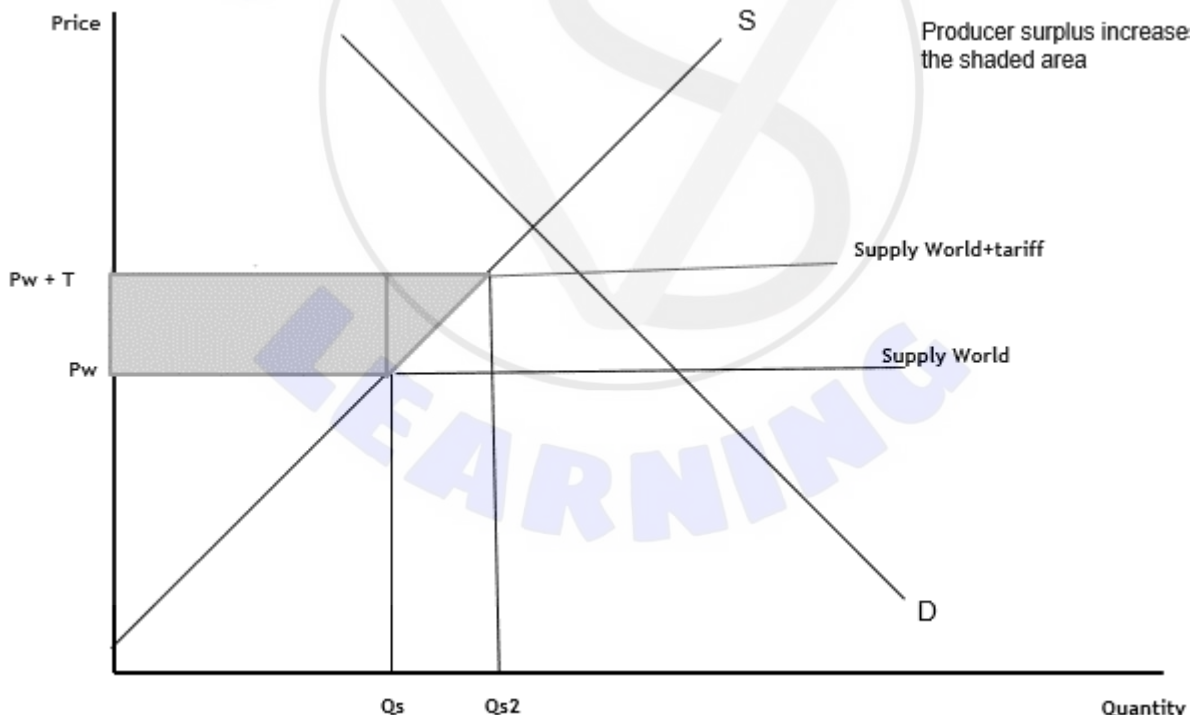
The vertical axis may be exchange rate, value/price of franc in another currency, other currency/franc or other currency per franc. The horizontal axis may be quantity or quantity of francs. All abbreviations are acceptable. A title is not necessary.

- (e) Using an international trade diagram, explain the likely effect on domestic producer surplus in Senegal of the tariff on rice imports (**Text D**, paragraph 4).

[4]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram OR an accurate written response.	1–2
	For a correct international trade diagram with appropriate labelling, showing a shift upwards of the world supply curve and an increase in producer surplus for Senegalese producers OR for providing an explanation that the tariff results in a greater quantity supplied by Senegalese producers at a higher price, which raises their producer surplus.	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correct international trade diagram with appropriate labelling, showing a shift upwards of the world supply curve and an increase in producer surplus for Senegalese producers AND for providing an explanation that the tariff results in a greater quantity supplied by Senegalese producers at a higher price, which raises their producer surplus.	

Candidates who incorrectly label diagrams can be awarded a maximum of [3].



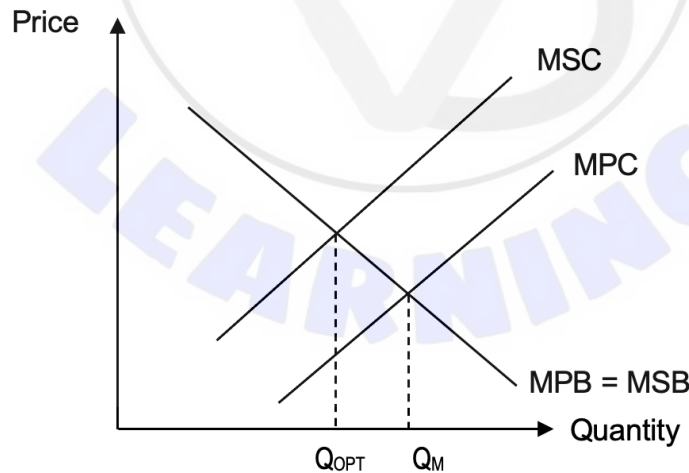
The use of P and Q on the axes is sufficient for an international trade diagram. The world supply curve must be labelled S_w , or S_{world} or P_w . A title is not necessary.

Candidates may indicate the change in producer surplus with shaded areas or numbers/letters in the diagram (eg 'area ABCD').

(f) Using an externalities diagram, explain why the use of water by rice farmers may result in market failure in the rice market in Senegal (**Text D**, paragraph 5). **[4]**

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct externalities diagram with appropriate labelling, showing the MSC curve above the MPC/S curve and the optimum/efficient output being below the market/equilibrium output OR for an explanation that the over-use of water results in any one of the following: <ul style="list-style-type: none"> • a misallocation of resources • a situation where the rice market is operating at a level that is not socially efficient ($MSB \neq MSC$) • a welfare loss to society. 	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct externalities diagram with appropriate labelling, showing the MSC curve above the MPC/S curve and the optimum/efficient output being below the market/equilibrium output AND for an explanation that the over-use of water results in any one of the following: <ul style="list-style-type: none"> • a misallocation of resources • a situation where the rice market is operating at a level that is not socially efficient ($MSB \neq MSC$) • a welfare loss to society. 	

Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.



The vertical axis may be price or P or benefits/costs. The horizontal axis may be quantity or Q . A title is not necessary.

- (g) Using information from the texts/data and your knowledge of economics, evaluate policies that could be used to reduce inequality in Senegal.

[15]

Level		Marks
0	<ul style="list-style-type: none"> The work does not meet a standard described by the descriptors below. 	0
1	<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. The response contains no use of text/data. 	1-3
2	<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. The response contains limited use of text/data. 	4-6
3	<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. The response includes some relevant information from the text/data. 	7-9
4	<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 appropriately. Where appropriate, relevant diagram(s) are included and explained. The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. The use of information from the text/data is generally appropriate, relevant, and applied correctly. 	10-12
5	<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. The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation. 	13-15

Command term

“Evaluate” requires candidates to make an appraisal by weighing up the strengths and limitations. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

Answers may include:

- a definition of inequality
- a definition of poverty
- a poverty cycle diagram
- a Lorenz curve diagram
- a minimum wage diagram.

Possible policies **may** include:

- change in taxation structure/increase in taxes

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> • ratio of taxes to GDP is relatively low so could increase taxes especially on high income earners (Text F, paragraph 1) 	<ul style="list-style-type: none"> • maybe leads to lower incentives (less willingness to work or take risks) which may reduce growth (Text F, paragraph 2)
<ul style="list-style-type: none"> • could broaden the tax base to collect more from the informal economy (Text F, paragraph 2) 	<ul style="list-style-type: none"> • administrative costs and risks of tax evasion
<ul style="list-style-type: none"> • can use tax revenue to redistribute income through transfers (Text F, paragraph 1) 	<ul style="list-style-type: none"> • an increase in indirect taxes will be regressive (Text F, paragraph 2)
<ul style="list-style-type: none"> • can use tax revenue to spend more on infrastructure and health care etc (Text F, paragraph 1) 	<ul style="list-style-type: none"> • maybe will deter inward FDI and investment in mineral resources (Text D, paragraph 2 or 3)
<ul style="list-style-type: none"> • could tax profits of MNCs and firms extracting the mineral resources (Text D, paragraph 3) 	

- improvements in education

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> • can increase number who complete secondary school and improve human capital by reducing illiteracy (Text E, paragraph 3; Table 4) 	<ul style="list-style-type: none"> • may lead to more unemployment and increased congestion in urban area (as fewer may be willing to work in agriculture) and may be a surplus of graduates
<ul style="list-style-type: none"> • can reduce gender inequality in school completion rates which will lower fertility rates (Text E, paragraph 4; Table 4) 	<ul style="list-style-type: none"> • may decrease domestic food supply if more education and lower fertility leads to less willingness to work in agriculture (Text D, paragraph 4)

- more transfer payments and spending on basic needs (such as water, sanitation) or subsidies or microcredits

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> • can directly decrease level of inequality and raise incomes above the poverty line (Text E, paragraph 1; Table 4) 	<ul style="list-style-type: none"> • population is increasing (Table 4)
<ul style="list-style-type: none"> • can improve health and other indicators by improving, for example, water supply in villages (Text D, paragraph 5) 	<ul style="list-style-type: none"> • will raise government expenditure and therefore probably the budget deficit
<ul style="list-style-type: none"> • can raise output and GDP when used productively (Text F, paragraph 1) 	
<ul style="list-style-type: none"> • can raise the HDI which is relatively low (Table 4) 	
<ul style="list-style-type: none"> • can impact all dimensions of poverty, reducing deprivations (Text E, paragraph 1) 	
<ul style="list-style-type: none"> • can remove regions/households from the poverty trap (Text E, paragraph 2) 	

- widen job opportunities

strengths	limitations
<ul style="list-style-type: none">• could reduce the unemployment rate (Table 3)	<ul style="list-style-type: none">• may require more imports of capital in the short run and/or more FDI → widening deficit on the current account (Text D, paragraph 2; Table 5)
<ul style="list-style-type: none">• can diversify the economy, making it less susceptible to supply shocks and possibly will also increase exports (Text D, paragraph 1; Text E, paragraph 2)	<ul style="list-style-type: none">• may reduce domestic food supply and/or increase congestion and negative externalities in urban areas (Text D, paragraph 4; Table 4)
<ul style="list-style-type: none">• higher incomes for lower paid workers will reduce Gini coefficient which is relatively high (Table 4)	<ul style="list-style-type: none">• calculations of Gini coefficient are unreliable

- raise the minimum wage or impose price ceilings

strengths	limitations
<ul style="list-style-type: none">• can raise the wage in agricultural jobs to be closer to the wages for non-agricultural jobs (Text E, paragraph 2)	<ul style="list-style-type: none">• minimum wages may result in more unemployment
<ul style="list-style-type: none">• will raise consumption	<ul style="list-style-type: none">• price ceilings may result in shortages and parallel markets
<ul style="list-style-type: none">• minimum wages may encourage increases in productivity	

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