

Markscheme

May 2024

Economics

Standard level

Paper 1

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

1. (a) Explain how **one** determinant of demand might lead to a decrease in the price of wheat **and** how **one** determinant of supply might lead to an increase in the price of wheat.

[10]

Answers **may** include:

- Terminology: demand, supply
- Explanation: of **any one** relevant demand factor, e.g. a fall in income, changes in tastes and preferences, expectation of lower prices in the future, a decrease in the price of substitute goods, an increase in the price of complementary goods, or fewer consumers, which would decrease demand and lower price, **and any one** relevant supply factor, e.g. an increase in the costs of the factors of production, a decrease in the price of goods in joint supply, an increase in the price of goods in competitive supply, an increase in indirect taxes, a decrease in subsidies, a change in technology, fewer firms or a supply shock, which would decrease supply and increase price
- Diagram: demand and supply diagram showing a shift of the demand curve to the left and a fall in price, and a shift of the supply curve to the left, resulting in an increase in price.

A maximum of **[6]** should be awarded if **only one** of the **two** determinants 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 view that price floors (minimum prices) should never be used.

[15]

Answers may include:

- Terminology: price floor (minimum prices)
- Explanation: of the view in terms of the various drawbacks of price floors such as the creation of surpluses and the implications for governments, negative welfare impacts, inefficiency of producers, resource misallocation; or an explanation of the view in terms of the drawbacks of minimum wages
- Diagram: use of a price floor (minimum price)/minimum wage diagram
- Synthesis (evaluate): evaluation of the view in terms of the benefits of price floors such as provision of income support for agricultural producers, protection against low-cost competition, employment prospects for workers, discouraging the consumption of a demerit good, e.g. in the case of alcohol; consideration of alternatives to price floors; a challenge to the view in terms of the benefits of minimum wages; or a consideration of the word “never”
- Examples: use of real-world examples to show instances of price floors being used.

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

N.B. *It should be noted that terminology, 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 the difference between demand-pull and cost-push inflation. **[10]**

Answers may include:

- Terminology: inflation, demand-pull inflation, cost-push inflation
- Explanation: of demand-pull in terms of increases in the determinants of AD; and of cost-push in terms of increases in the costs of production or supply-side shocks
- Diagram: AD/AS diagram(s) showing AD shifting to the right (demand-pull) and SRAS shifting to the left (cost-push).

*A maximum of [6] should be awarded if **only one** type of inflation 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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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 the effectiveness of monetary policy in reducing the rate of inflation.

[15]

Answers may include:

- Terminology: monetary policy, rate of inflation
- Explanation: of the mechanisms by which deflationary monetary policy (higher interest rates and control of the money supply) might be used to reduce AD to close an inflationary gap and lower demand-pull inflation
- Diagram: an AD/AS diagram to show AD shifting to the left
- Synthesis (discuss): strengths of monetary policy *e.g.* in terms of its flexibility, short time lags, limited political constraints; limitations of monetary policy in reducing inflation, *e.g.* in terms of being ineffective against cost-push inflation; a consideration of the effectiveness of alternate policies
- Examples: real-world examples of where governments have attempted to reduce the rate of inflation using monetary policy.

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

N.B. *It should be noted that terminology, 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.

3. (a) Explain the importance of improved access to banking services, such as microfinance and mobile banking, in promoting economic development. **[10]**

Answers may include:

- Terminology: banking services, microfinance, mobile banking, economic development
- Explanation: of how banking services, including microfinance and mobile banking, provide an incentive for saving which can promote investment, help with poverty alleviation, allow greater access to funds by the poor in the case of microfinance, reduce transaction costs in the case of mobile banking, provide funds for education and health care which improves human capital, enable businesses to be started, continued and/or expanded, all of which can help to promote economic development
- Diagram: use of any relevant diagram such as a poverty trap diagram, a PPC diagram or an AD/AS diagram.

N.B. Students should be fully rewarded if they refer to other banking services (not just microfinance or mobile banking).

Assessment Criteria

Part (a) 10 marks

Marks	Level descriptor
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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 economic growth **and** economic development are best achieved through the use of market-based policies. **[15]**

Answers may include:

- Terminology: economic growth, economic development, market-based policies
- Explanation: of the view in terms of the effectiveness of such policies as trade liberalization, privatization and deregulation in promoting economic growth and development
- Diagram: any relevant diagram such as an AD/AS or PPC diagram
- Synthesis (evaluate): a challenge to the view in terms of the drawbacks of market-based policies such as the various types of market failures (negative externalities of production and the effect on the environment, insufficient provision of merit goods and the failure to provide public goods), creation of income inequalities and the inability to alleviate poverty and the advantages of interventionist policies such as the redistribution of income and the government provision of merit goods and infrastructure; consideration of “best”
- Examples: real-world examples of countries which have used market-based or interventionist policies to achieve economic growth and development.

*A maximum of [9] should be awarded if **only** growth **or** development is considered.*

As the question requires an evaluation of “best achieved”, a maximum of [12] should be awarded where no other policies are considered, as the question would not 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.

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

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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.