

Markscheme

May 2024

Economics

Higher level and standard level

Paper 2

© International Baccalaureate Organization 2024

All rights reserved. No part of this product may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without the prior written permission from the IB. Additionally, the license tied with this product prohibits use of any selected files or extracts from this product. Use by third parties, including but not limited to publishers, private teachers, tutoring or study services, preparatory schools, vendors operating curriculum mapping services or teacher resource digital platforms and app developers, whether fee-covered or not, is prohibited and is a criminal offense.

More information on how to request written permission in the form of a license can be obtained from <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organisation du Baccalauréat International 2024

Tous droits réservés. Aucune partie de ce produit ne peut être reproduite sous quelque forme ni par quelque moyen que ce soit, électronique ou mécanique, y compris des systèmes de stockage et de récupération d'informations, sans l'autorisation écrite préalable de l'IB. De plus, la licence associée à ce produit interdit toute utilisation de tout fichier ou extrait sélectionné dans ce produit. L'utilisation par des tiers, y compris, sans toutefois s'y limiter, des éditeurs, des professeurs particuliers, des services de tutorat ou d'aide aux études, des établissements de préparation à l'enseignement supérieur, des fournisseurs de services de planification des programmes d'études, des gestionnaires de plateformes pédagogiques en ligne, et des développeurs d'applications, moyennant paiement ou non, est interdite et constitue une infraction pénale.

Pour plus d'informations sur la procédure à suivre pour obtenir une autorisation écrite sous la forme d'une licence, rendez-vous à l'adresse <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organización del Bachillerato Internacional, 2024

Todos los derechos reservados. No se podrá reproducir ninguna parte de este producto de ninguna forma ni por ningún medio electrónico o mecánico, incluidos los sistemas de almacenamiento y recuperación de información, sin la previa autorización por escrito del IB. Además, la licencia vinculada a este producto prohíbe el uso de todo archivo o fragmento seleccionado de este producto. El uso por parte de terceros —lo que incluye, a título enunciativo, editoriales, profesores particulares, servicios de apoyo académico o ayuda para el estudio, colegios preparatorios, desarrolladores de aplicaciones y entidades que presten servicios de planificación curricular u ofrezcan recursos para docentes mediante plataformas digitales—, ya sea incluido en tasas o no, está prohibido y constituye un delito.

En este enlace encontrará más información sobre cómo solicitar una autorización por escrito en forma de licencia: <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

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 or within the question, 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 *inflation* indicated in bold in the text (**Text A**, paragraph 1). [2]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	Vague definition The idea that it is rising prices.	1
2	Accurate definition An understanding that it is a persistent/sustained rise in the price level.	2

- (ii) Define the term *foreign direct investment* indicated in bold in the text (**Text A**, paragraph 5). [2]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	Vague definition The idea that it is: one of the following <ul style="list-style-type: none"> • long-term investment in another country • investment by a multinational corporation (MNC) abroad/overseas • investment in another country representing at least 10% ownership • investment in productive facilities (fixed/physical capital) in another country. 	1
2	Accurate definition An understanding that it is: two of the following: <ul style="list-style-type: none"> • long-term investment in another country • investment by a multinational corporation (MNC) abroad/overseas • investment in another country representing at least 10% ownership • investment in productive facilities (fixed/physical capital) in another country. 	2

(b) A pharmaceutical good is priced at UK£10 per unit and the exported quantity is 200 units. The price decreases to UK£9.

(i) Using the price elasticity of demand figure for pharmaceuticals exported from the UK (**Text A**, paragraph 6), calculate the revenue earned in UK£ after the price change. [3]

% change in price = -10 (%) OR -0.1

$$PED = -0.6 = \frac{x}{-10}$$

x = 6 (%) OR 0.06 [1]

Any valid working (correct %Δ P or %Δ Qd, valid use of PED formula) should be rewarded with [1]

New quantity demanded = 1.06 x 200 = 212 [1]
OFR applies

Final revenue = 212 x 9 = 1908 [1]
OFR applies

An answer of 1908 without working is sufficient for [2].

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

(ii) Using information from **Table 2**, calculate the balance of trade in services (UK£ billion) for the UK in 2011. [2]

X - 103 + 6 - 21 = -32 [1]

X = 86

86 OR surplus of 86 [1]

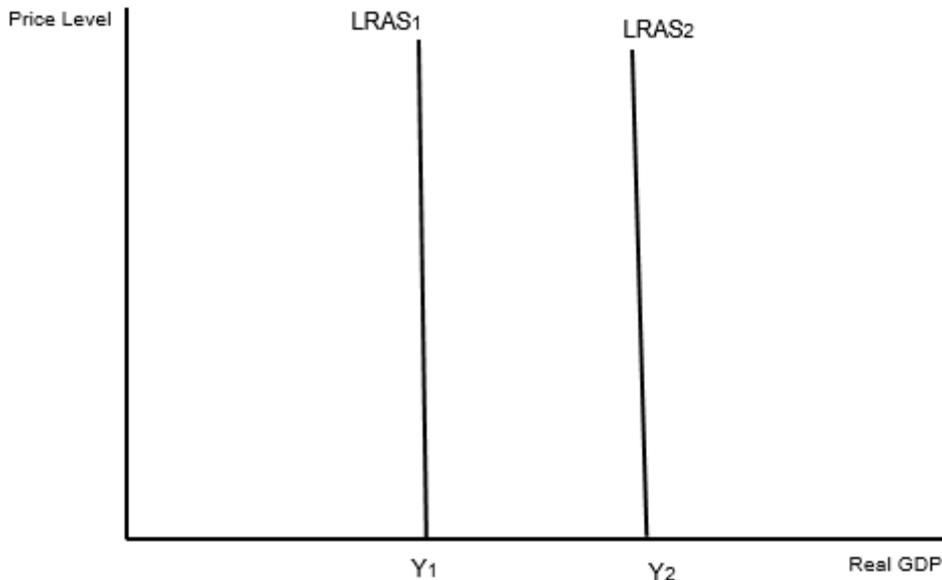
Any valid working should be rewarded with [1]
An answer of 86 without working is sufficient for [1].

- (c) Using an AD/AS diagram, explain the likely effect on the full employment (potential) level of output in the UK if government spending on infrastructure is increased (**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 correctly labelled AD/AS diagram with LRAS (no AD or SRAS required) shifting to the right and an increase in full employment (potential) level of output OR for an explanation that increased infrastructure would lead to an increase in efficiency (productivity) and/or increase in the quantity/quality of resources/factors of production. This would lead to an increase in full employment level of output (potential output).	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled AD/AS diagram with LRAS (no AD or SRAS required) shifting to the right and an increase in full employment (potential) level of output AND for an explanation that increased infrastructure would lead to an increase in efficiency (productivity) and/or increase in the quantity/quality of resources/factors of production. This would lead to an increase in full employment level of output (potential output).	

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



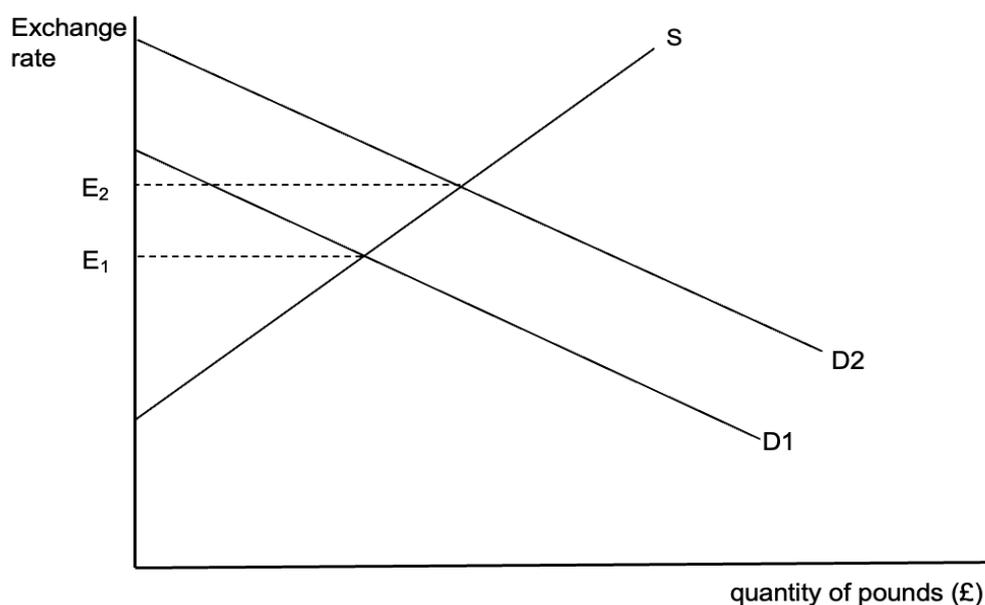
For an AD/AS diagram, the vertical axis may be Average (General) Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS is acceptable. A title is not necessary.

- (d) Using an exchange rate diagram, explain the likely effect on the exchange rate for the pound (UK£) of increased international demand for “green” goods produced in the UK (Text C).

[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 correctly labelled exchange rate diagram, showing demand shifting right and the exchange rate increasing OR for an explanation that increased spending on UK exports means (that foreigners would need to purchase more pounds to pay for the exports) the demand for the pound would increase. This results in a rise in the exchange rate (appreciation).	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correctly labelled exchange rate diagram, showing demand shifting right and the exchange rate increasing AND for an explanation that increased spending on UK exports means (that foreigners would need to purchase more pounds to pay for the exports) the demand for the pound would increase. This results in a rise in the exchange rate (appreciation).	

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

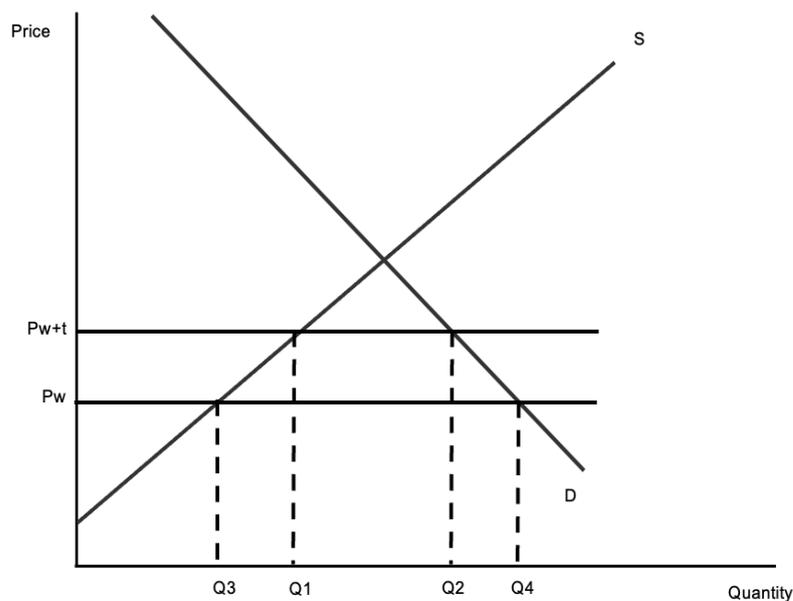


The vertical axis may be exchange rate, price/value of pound (£) in another currency, other currency/pound (£) or other currency per pound (£). The horizontal axis may be quantity or quantity of pounds (£). All abbreviations are acceptable. A title is not necessary.

- (e) Using an international trade diagram, explain how imports of agricultural goods to the UK are likely to change as a result of the free trade agreements with Australia and New Zealand (**Text B**, 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 correctly labelled international trade diagram, showing the world supply/price line moving down and an increase in the level of imports, which may be annotated on the diagram or referenced in the explanation OR for an explanation that lower tariffs on agricultural goods will increase imports due to lower their price and either (one of the following): <ul style="list-style-type: none"> • a decrease in the level of domestic output (quantity supplied) • an increase in domestic consumption (quantity demanded). 	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled international trade diagram, showing the world supply/price line moving down and an increase in imports, which may be annotated on the diagram or referenced in the explanation AND for an explanation that lower tariffs on agricultural goods will increase imports due to lower their price and either (one of the following): <ul style="list-style-type: none"> • a decrease in the level of domestic output (quantity supplied) • an increase in domestic consumption (quantity demanded). 	

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



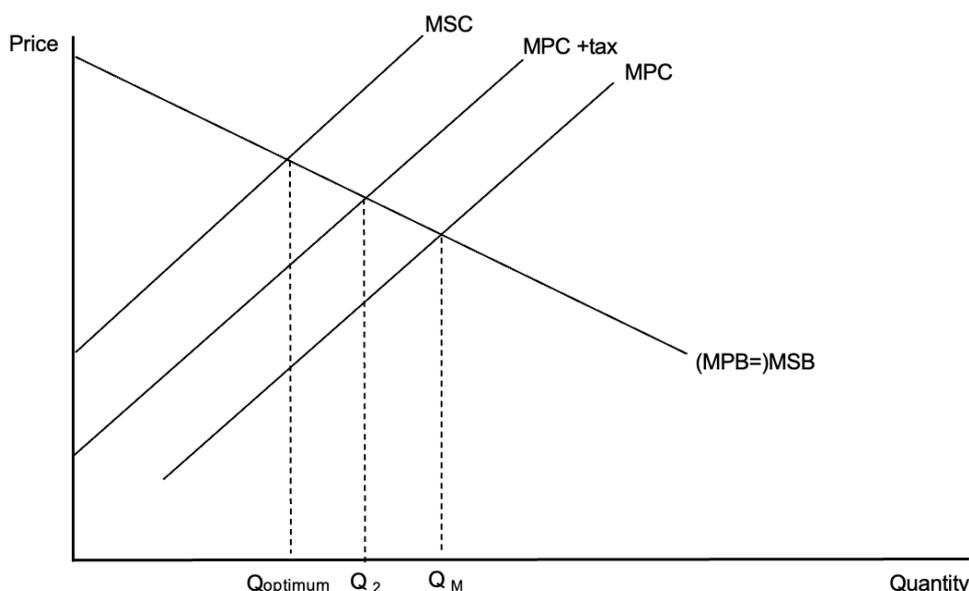
The use of P and Q on the axes is sufficient for an international trade diagram. The world supply curve must be labelled S_w , or S_{world} or $S_{Australia/NZ}$ or P_w or any similar label indicating the horizontal line is the world or Australian/NZ price/supply. A title is not necessary.

Some candidates may draw two world supply/price lines to reflect that tariffs are only reduced, not eliminated. If the lines are correctly drawn and explained, this approach can be fully rewarded.

- (f) Using an externalities diagram, explain why a carbon tax on the production of plastic could cause its output to move closer to the social optimum (**Text C**). [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 correctly labelled externalities diagram, showing the MPC shifting left/upwards and the quantity of plastic moving from the market quantity (closer) to the optimum OR for an explanation that the carbon tax will either (one of the following): <ul style="list-style-type: none"> • increase production costs (or MPC) • internalise (parts) of the external cost (externality) This decreases market quantity, moving it towards the socially optimum output.	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correctly labelled externalities diagram, showing the MPC shifting left/upwards and the quantity of plastic moving from the market quantity (closer) to the optimum AND for an explanation that the carbon tax will either (one of the following): <ul style="list-style-type: none"> • increase production costs (or MPC) • internalise (parts) of the external cost (externality) This decreases market quantity, moving it towards the socially optimum output.	

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



The vertical axis may be labelled price or P and/or costs and/or benefits. The horizontal axis may be quantity or Q or output. No title is required.

A diagram which shows the MPC curve shifting left to fully correct the externality can be fully rewarded.

Alternatively, the diagram may show a negative consumption externality in addition to the tax line. If properly labelled and explained, this can be fully rewarded.

Alternatively, the diagram may show that the new quantity is not actually at the socially optimum output, but just closer to it.

- (g) Using information from the text/data and your knowledge of economics, discuss the likely effects of the exchange rate trend from 2011 to 2022 (shown in **Figure 1**) on the UK balance of payments and the UK economy.

[15]

Marks	Level descriptor
0	<ul style="list-style-type: none"> • The work does not meet 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 or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
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 relevant but superficial synthesis or evaluation. • The response contains limited use of text/data.
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. • The response includes some relevant information from the text/data.
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 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.
13–15	<ul style="list-style-type: none"> • The specific demands of the question are thoroughly 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.

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:

- terminology: depreciation, exchange rate
- an AD/AS diagram
- an exchange rate diagram
- an outline of the movements shown in **Figure 1**

N.B. It should be noted that diagrams that have already been given in answers to parts (c), (d), (e) or (f), and then referred to in part (g), should be rewarded.

Effect on the balance of payments:

- theoretically, the deficits on the trade balance and the current balance should be reduced due to lower export prices and higher import prices leading to higher export revenue and lower import expenditure (**Text A**, paragraphs 3, 5, 6).
- however, according to **Table 2**, the deficits have widened.
- the depreciation has probably attracted inward FDI due to the improved competitiveness of exports (**Text A**, paragraph 5 and **Table 2**).
- the depreciation may also result in increased inflows of portfolio investment (as UK stocks and bonds become cheaper to foreigners (**Text A**, paragraph 5). This would provide funds for UK investment, increasing output.
- The depreciation may deplete the reserves, which are currently low (**Table 2**) if the central bank attempts to reduce the downward pressure on the currency.

Effect on employment and growth:

- the depreciation of the exchange rate makes export prices lower in foreign currency terms (and import prices higher in local currency) which may increase AD and consequently GDP (**Text A**, paragraph 3) demonstrated by the fall in unemployment (**Table 1**).
- however, the UK’s market share for many exports is falling (**Text A**, paragraph 4) indicating that trade has grown more rapidly in other countries.
- the departure from the EU implies that the UK may not benefit significantly from the fall in export prices (**Text B**, paragraph 1).
- however, the newly negotiated free trade agreements may increase the markets for lower priced exports (**Text B**, paragraph 1)
- the depreciation may do little to improve employment and economic growth as the relative prices of are of not of much significance in determining export revenues (**Text A**, paragraph 6). Changes in the income of trading partners and the quality of exports would have a more significant impact on growth and unemployment (**Text A**, paragraph 7).
- the depreciation could help increase UK exports of “green” goods, contributing to the success of the net zero strategy (**Text C**).

Effect on inflation:

- the depreciation will increase import prices, which will add to inflationary pressures (**Text A**, paragraphs 2 and 3).
- the increase in prices of inputs, such as oil, will also tend to raise export prices (**Text A**, paragraph 5).

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

2. (a) (i) Define the term *informal economy* indicated in bold in the text (**Text D**, 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
	An understanding that it is one of the following: <ul style="list-style-type: none"> • economic activity that is not officially recorded • economic activity that is not included in national income figures • economic activity that is not regulated • economic activity that is not taxed. 	
2	<i>Accurate definition</i>	2
	An understanding that it is two of the following: <ul style="list-style-type: none"> • economic activity that is not officially recorded • economic activity that is not included in national income figures • economic activity that is not regulated • economic activity that is not taxed. 	

- (ii) Define the term *depreciation* 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 it is a falling exchange rate/currency.	
2	<i>Accurate definition</i>	2
	An understanding that it is a decrease in the exchange rate or value/price of a currency in a floating exchange rate/managed float system (due to market forces/supply and demand).	

- (b) (i) Using information from **Table 5**, calculate the value of consumption (₱ billion) in the Philippines in 2022. [2]

$$C + 3780 + 3700 + 5400 - 7780 = 19\,700 \quad [1]$$

$$C = 19700 - 5100 \\ 14600 \quad [1]$$

*An answer of 14600 without workings is sufficient for [1].
For full marks to be awarded, the response must provide valid working.*

A low-income household in the Philippines earned ₱HP 40 000 annually in 2021. Its annual income increased to ₱HP 42 000 in 2022. Its annual demand for rice increased from 250 kilograms (kg) to 256 kg between 2021 and 2022.

(ii) Calculate the income elasticity of demand for rice for this household. [2]

$\% \text{ change in income} = \frac{2000}{40000} \times 100 = 5(\%) \text{ OR } 0.05$
 $\% \text{ change in demand for rice} = \frac{6}{250} \times 100 = 2.4(\%) \text{ OR } 0.024$ [1]
 $YED = \frac{2.4}{5} = 0.48$ [1]

Any valid working (correct %Δ Qd or %Δ Y, valid use of YED formula) is sufficient for [1]
For full marks to be awarded, the response must provide valid working.
An answer of 0.48 without workings is sufficient for [1].

(iii) Using your answer to (b) (ii), identify whether rice is an inferior or a normal good. [1]

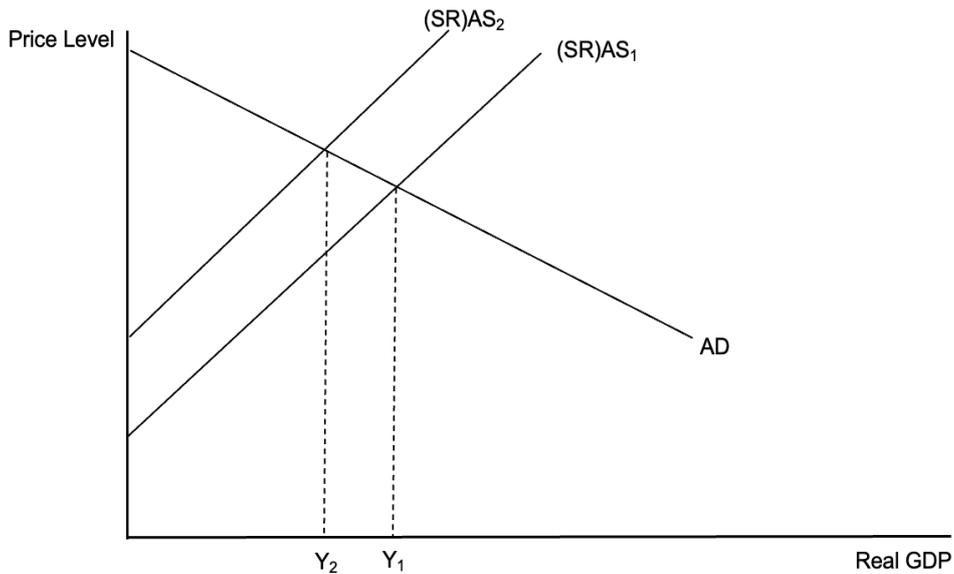
Normal.

OFR applies

(c) Using an AD/AS diagram, explain the likely effect on the Philippines' real GDP as a result of higher global energy prices (**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 correctly labelled AD/AS diagram, showing (SR)AS shifting left/upwards causing a fall in real GDP OR for an explanation that higher global energy prices causes an increase in (production) costs, which reduces (short-run) aggregate supply. This leads to a fall in real GDP/output.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled AD/AS diagram, showing (SR)AS shifting left/upwards causing a fall in real GDP AND for an explanation that higher global energy prices causes an increase in (production) costs, which reduces (short-run) aggregate supply. This leads to a fall in real GDP/output.	

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



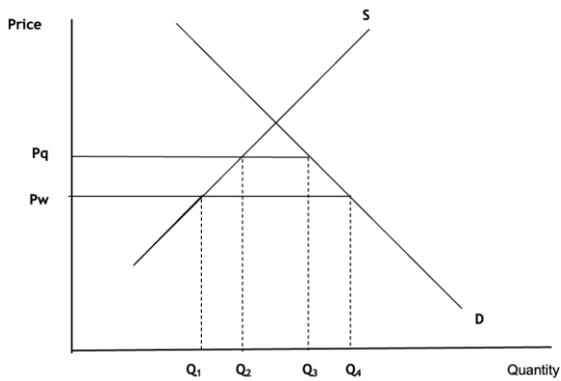
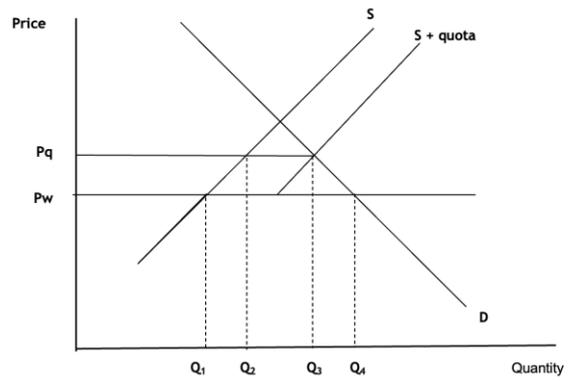
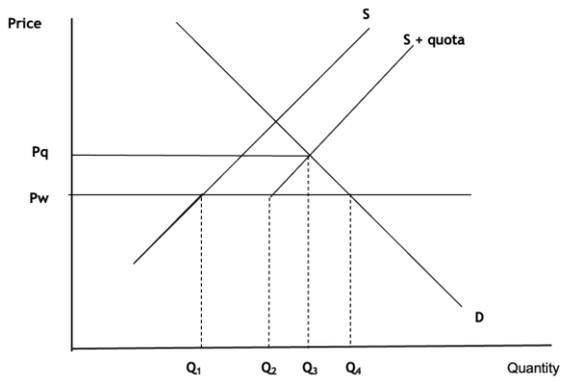
For an AD/AS diagram, the vertical axis may be Average (General) Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS is acceptable. A title is not necessary.

- (d) Using an international trade diagram, explain the likely effect on the domestic production of pork when the quota on pork imports into the Philippines was removed (Text D, paragraph 6).

[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 correctly labelled international trade diagram, showing a removal of the quota and a decrease in the quantity supplied by domestic producers OR for an explanation that the removal of the quota will lead to a fall in the (domestic) quantity of pork produced due to either (one of the following): <ul style="list-style-type: none"> • a rise in imports • a fall in the price of pork. 	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correctly labelled international trade diagram, showing a removal of the quota and a decrease in the quantity supplied by domestic producers AND for an explanation that the removal of the quota will lead to a fall in the (domestic) quantity of pork produced due to either (one of the following): <ul style="list-style-type: none"> • a rise in imports • a fall in the price of pork. 	

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



N.B. Any of the three alternative versions of the diagram are acceptable, so long as the explanation matches the diagram.

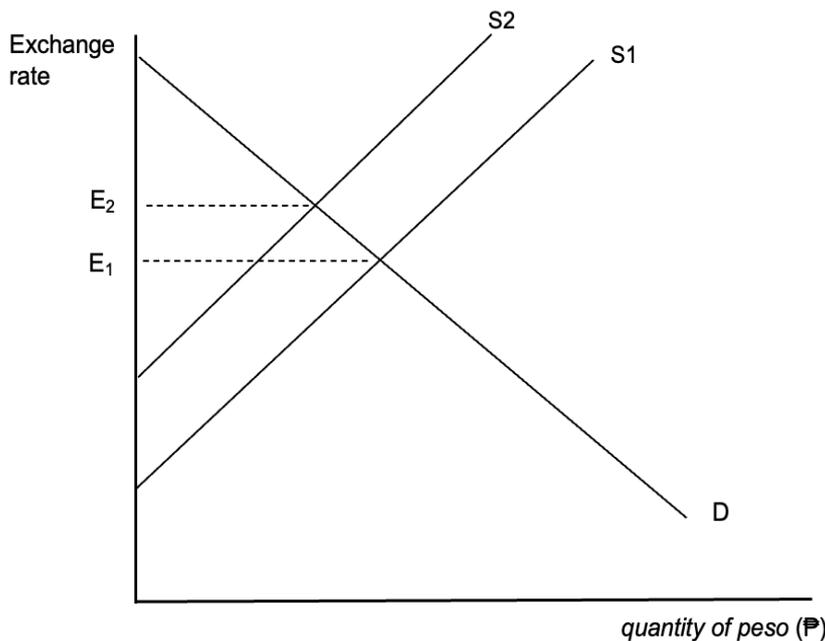
The use of *P* and *Q* on the axes is sufficient for an international trade diagram. The world price line may be labelled as *S(World)*, *Sw*, *Pworld*, or any similar label indicating the horizontal line is the world or ASEAN price/supply. Not all quantities need to be projected on the horizontal axis, as long as those required to identify the decrease in domestic production are indicated. A title is not necessary.

- (e) Using an exchange rate diagram, explain the likely effect on the exchange rate for the peso (₱) of the tariff on rice imports (**Text D**, paragraph 7).

[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 correctly labelled exchange rate diagram, showing the supply curve shifting left leading to a rise in the exchange rate OR for an explanation that the tariff reduces rice imports and therefore fewer pesos are sold (on the foreign exchange market) to buy foreign currencies to pay for those imports, causing supply to shift left. This results in a rise/appreciation of the peso.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled exchange rate diagram, showing the supply curve shifting left leading to a rise in the exchange rate AND for an explanation that the tariff reduces rice imports and therefore fewer pesos are sold (on the foreign exchange market) to buy foreign currencies to pay for those imports, causing supply to shift left. This results in a rise/appreciation of the peso.	

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

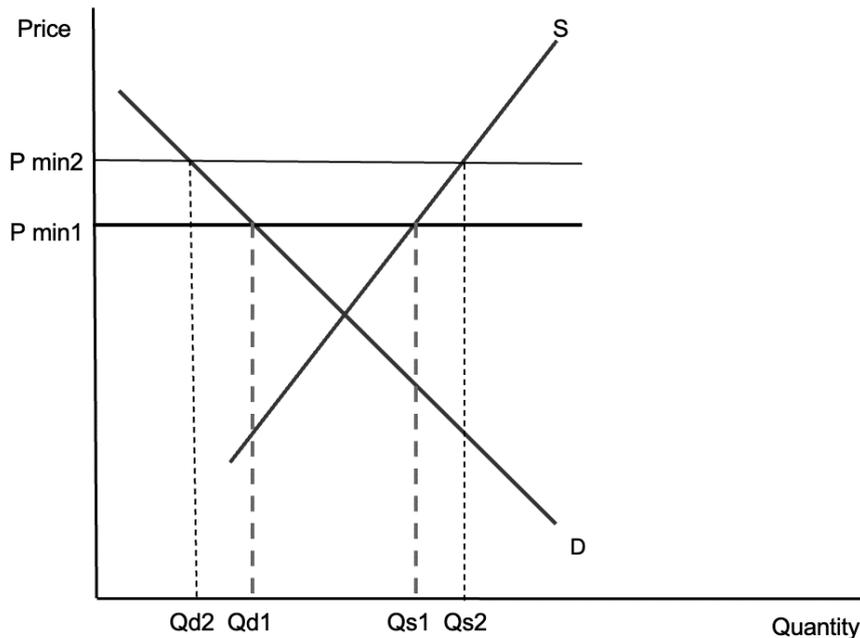


The vertical axis may be exchange rate, price/value of peso (₱) in another currency, other currency/peso (₱) or other currency per peso (₱). The horizontal axis may be quantity or quantity of peso (₱). All abbreviations are acceptable. A title is not necessary.

- (f) Using a demand and supply diagram, explain what is likely to happen to excess supply if the minimum (floor) price charged by private bus drivers is raised further above the equilibrium price (**Text E**, paragraph 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 correctly labelled demand and supply diagram, showing an excess supply (which may be annotated on the diagram or referenced in the explanation) as a result of the imposition of a (or increase in) minimum (floor) price OR for an explanation that a minimum (floor) price (imposed above the equilibrium price) results in an increase in quantity supplied and decrease in quantity demanded, resulting in excess supply.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled demand and supply diagram, showing an excess supply (which may be annotated on the diagram or referenced in the explanation) as a result of the imposition of a (or increase in) minimum (floor) price AND for an explanation that a minimum (floor) price (imposed above the equilibrium price) results in an increase in quantity supplied and decrease in quantity demanded, resulting in excess supply.	

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. Excess supply may be denoted in other ways. A title is not necessary. A diagram showing a single minimum (floor) price line may be fully rewarded.

- (g) Using information from the text/data and your knowledge of economics, evaluate the policies used in the Philippines to reduce poverty and income inequality.

[15]

Marks	Level descriptor
0	<ul style="list-style-type: none"> • The work does not meet 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 or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
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 relevant but superficial synthesis or evaluation. • The response contains limited use of text/data.
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. • The response includes some relevant information from the text/data.
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 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.
13–15	<ul style="list-style-type: none"> • The specific demands of the question are thoroughly 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.

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:

- terminology: poverty, inequality
- a poverty cycle diagram
- a Lorenz curve diagram
- a minimum wage/price diagram
- an indirect tax/externalities/subsidies diagram

N.B. diagrams that have already been given in answers to parts (c), (d), (e) or (f), and then referred to in part (g), should be rewarded.

Policies that are being used:

- encouraging workers to shift from agriculture, fishing and the informal sector to other growth sectors (**Text D**, paragraphs 3 and/or 2)

Strengths	Limitations
<ul style="list-style-type: none"> • higher wages and productivity which could help break the poverty cycle 	<ul style="list-style-type: none"> • may increase urbanisation which depletes rural areas and leads to more congestion/pollution in towns
<ul style="list-style-type: none"> • may reduce over-fishing and deforestation which, if unchecked, would result in loss of income for workers in these industries in the future 	<ul style="list-style-type: none"> • may reduce food supplies, which may result in higher prices for necessities • may result in loss of income for workers in these industries in the short run
<ul style="list-style-type: none"> • employment and wages will be less influenced by natural disasters and thus result in a reduction in poverty 	<ul style="list-style-type: none"> • growth sectors (such as tourism and insurance) may not be suitable for many workers

- increased government spending due to expansionary fiscal policies (**Text D**, paragraphs 4 and 5)

Strengths	Limitations
<ul style="list-style-type: none"> • more spending on education and health care 	<ul style="list-style-type: none"> • health and education services still inadequate in many areas
<ul style="list-style-type: none"> • government spending will add to AD leading to higher growth and incomes 	<ul style="list-style-type: none"> • budget deficit will require borrowing
	<ul style="list-style-type: none"> • high population growth (over 14% in less than 10 years) means that government spending will have to increase even faster to maintain current living standards (Table 4)

- removal of quota on pork imports and other free trade measures due to membership of ASEAN (**Text D**, paragraphs 4 and 6)

Strengths	Limitations
<ul style="list-style-type: none"> • lowers food prices for consumers, especially for the poor who spend proportionately more on food 	<ul style="list-style-type: none"> • reduces demand for domestic farm products and therefore may reduce farmers' incomes

- tariffs on rice imports (**Text D**, paragraph 7)

Strengths	Limitations
<ul style="list-style-type: none"> • higher prices and output for rice farmers leading to higher incomes 	<ul style="list-style-type: none"> • regressive impact of higher food prices on low-income households
<ul style="list-style-type: none"> • tariff revenues used to subsidise farm equipment etc will increase productivity and will increase rural incomes 	<ul style="list-style-type: none"> • may strain trade relations with other economies leading to a trade war

- more spending on the public health care system, financed by indirect taxes on tobacco etc (**Text E**, paragraph 1)

Strengths	Limitations
<ul style="list-style-type: none"> • can improve health and other indicators, especially in rural areas (Text D, paragraph 4) 	<ul style="list-style-type: none"> • indirect taxes (especially on smoking and alcohol) are regressive
<ul style="list-style-type: none"> • can raise the HDI (through increased life expectancy), which is relatively low (Table 4) 	<ul style="list-style-type: none"> • population is increasing fast and therefore the extra spending unlikely to be enough (Table 4)

- increased conditional cash payments (**Text E**, paragraph 2)

Strengths	Limitations
<ul style="list-style-type: none"> • can directly decrease level of inequality and raise incomes above the poverty line, potentially decreasing the level of inequality 	<ul style="list-style-type: none"> • will raise government expenditure and therefore probably the budget deficit
<ul style="list-style-type: none"> • conditions will encourage schooling, improving human capital and future earning potential 	<ul style="list-style-type: none"> • because consumption spending is a high proportion (over 70%) of GDP, these payments and all extra government spending will have a strong expansionary effect on GDP which may be inflationary (Text D, paragraph 1 and Table 3)
<ul style="list-style-type: none"> • can help regions/households escape the poverty trap 	
<ul style="list-style-type: none"> • higher incomes for lower income earners could reduce Gini coefficient which is relatively high and shift Lorenz curve inwards (Table 4) 	

- subsidies for farmers (**Text D**, paragraph 7) and private bus drivers (**Text E**, paragraph 3)

Strengths	Limitations
<ul style="list-style-type: none"> • encourages public transport and food production 	<ul style="list-style-type: none"> • reduces government funds for other purposes, leading to opportunity costs and/or wider budget deficit
<ul style="list-style-type: none"> • may counteract the rising food and fuel prices (Text D, paragraph 4) 	<ul style="list-style-type: none"> • may encourage inefficiency and more fuel consumption, leading to pollution

- rise in minimum prices charged by private bus drivers (**Text E**, paragraph 3)

Strengths	Limitations
<ul style="list-style-type: none"> • raises their wages 	<ul style="list-style-type: none"> • increases welfare loss • may not increase incomes if demand is relatively elastic
	<ul style="list-style-type: none"> • regressive, since the poor more likely to use buses

- increased spending on infrastructure (**Text F**)

Strengths	Limitations
<ul style="list-style-type: none"> • will reduce the unemployment rate, raise productivity and connect the poor to more opportunities 	<ul style="list-style-type: none"> • requires more government spending, leading to opportunity costs and/or wider budget deficit
<ul style="list-style-type: none"> • can diversify the economy, making it less susceptible to supply shocks and possibly will also increase exports 	<ul style="list-style-type: none"> • may require more imports of capital in the short run and/or more FDI, leading to widening deficit on the current account

- increased use of grants and loans received through ODA (**Text F; Figure 2**)

Strengths	Limitations
<ul style="list-style-type: none"> • grants and loans can effectively break the poverty cycle 	<ul style="list-style-type: none"> • loans must be paid back
<ul style="list-style-type: none"> • training will raise productivity 	<ul style="list-style-type: none"> • may lead to dependency
<ul style="list-style-type: none"> • disadvantaged groups, such as women, and growth areas, such as tourism, are targeted 	

Overall:

- poverty rates and the Gini coefficient have been reduced, while the HDI index has improved (**Table 4**), implying that measures have had some success
- pace of poverty reduction still low and many workers still in informal economy (**Text D**, paragraph 3)
- rising food and fuel prices will further widen the distribution of real incomes (**Text D**, paragraph 4).

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