

# Markscheme

November 2024

Economics

Higher level and 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 script for each type of error.**

1. (a) (i) Define the term *monetary policy* indicated in bold (**Text A**, 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 is: any <b>one</b> of the following <ul style="list-style-type: none"> <li>• a policy that changes AD (it is a demand-side policy)</li> <li>• a policy that changes the money supply/interest rates</li> <li>• a policy that aims to achieve (macro)economic objectives (low inflation / economic growth / low unemployment, a healthy balance of payments / a stable exchange rate).</li> </ul>	
2	<i>Accurate definition</i>	2
	An understanding that it is a policy that changes the money supply/interest rates in order to: <ul style="list-style-type: none"> <li>• change AD (it is a demand-side policy)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>• achieve (macro)economic objectives (low inflation/ economic growth / low unemployment, a healthy balance of payments/ a stable exchange rate).</li> </ul>	

- (ii) Define the term *current account deficit* indicated in bold (**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 when exports are less than imports (net exports are negative) <b>OR</b> inflow of funds/credits less than outflow of funds/debits.	
2	<i>Accurate definition</i>	2
	An understanding that it is when the sum of net exports (of goods and services) plus net income plus net current transfers is negative.	

- (b) (i) Using information from **Table 4**, calculate the percentage change in real GDP per capita between 2017 and 2021. [3]

$$2017 = 2430 \text{ billion} / 1.35 \text{ billion} = 1800 \quad [1]$$

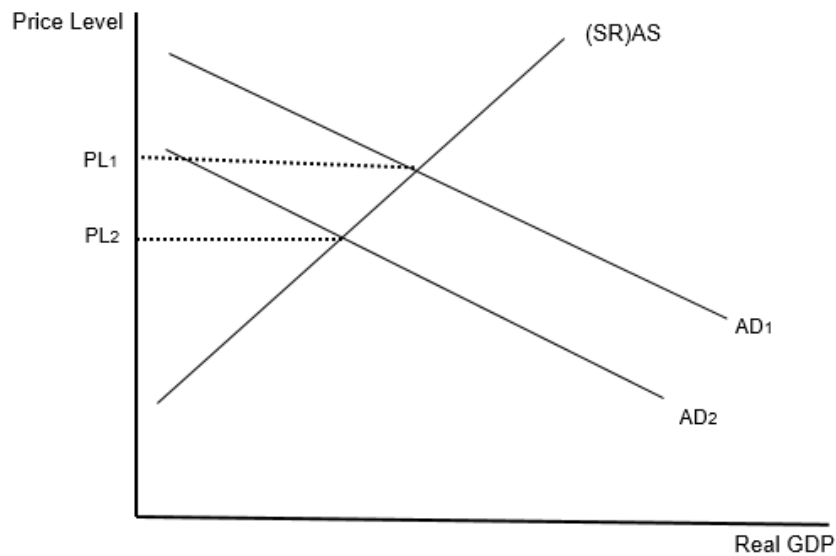
$$2021 = 2730 \text{ billion} / 1.41 \text{ billion} = 1936.17 \quad [1]$$

$$(1936.17 - 1800) / 1800 * 100 = 7.57 \text{ or } 7.56 \quad [1]$$

*OFR applies.*

- (ii) Sketch an AD/AS diagram to show the possible impact on India’s inflation rate of a tighter monetary policy (**Text A**, paragraph 1). **[2]**

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	For sketching a correct AD/AS diagram showing a shift in AD to the left and a decrease in (average) price level but there are some incorrect/missing labels.	1
2	For sketching a correctly labelled AD/AS diagram showing a shift in AD to the left and a decrease in (average) price level.	2



*Alternative approaches may show the AD curve increasing at a decreasing rate and/or use a Keynesian AS and can be fully awarded.*

*For AD/AS, the vertical axis may be Average (General) Price Level or Price Level. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. Any abbreviation of the previous terms is acceptable. A title is not necessary.*

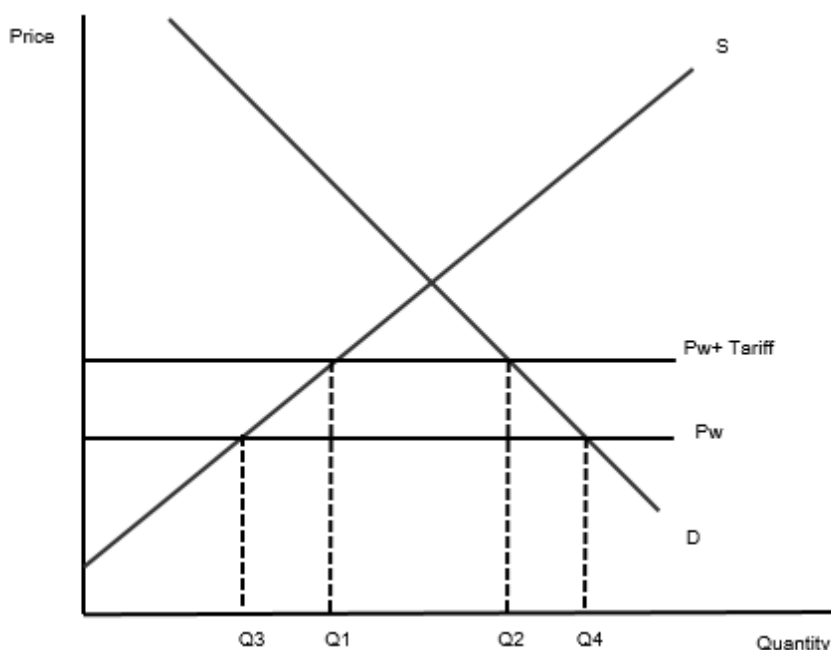
- (c) Using information from **Text A**, paragraph 3 and **Table 4**, explain the interdependence between the accounts in India's balance of payments. **[4]**

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>The written response is limited</i>	1-2
	<p><b>One</b> of the following <b>with</b> the use of text to explain:</p> <ul style="list-style-type: none"> <li>• zero balance in the balance of payments when added together.</li> <li>• Current account + Capital account + Financial + (errors) = 0</li> <li>• Credits/inflows must be matched by debits/outflows</li> <li>• Deficits must be matched by a surplus</li> <li>• Current account = Financial account + capital account</li> </ul> <p><b>OR two without</b> the use of text.</p> <p>Example text use may include:</p> <ul style="list-style-type: none"> <li>• Current account deficit (Table 4) is balanced by a surplus in the financial/capital accounts</li> <li>• FDI (found in the financial account) creates an inflow to match the outflow/deficit of the current account. (Text A, paragraph 3)</li> <li>• increases in portfolio investment outflows will (later) generate inflows of income on the current account (Text A, paragraph 3).</li> </ul>	
2	<i>The written response is accurate</i>	3-4
	<p><b>Two</b> of the above <b>with two</b> pieces of supporting text/data.</p> <p><b>Three</b> of the above <b>with one</b> piece of supporting text/data.</p>	

**N.B.** Students may approach this question using precise examples to illustrate the relationship or how transactions in one account can affect another.

- (d) Using an international trade diagram for India, explain how lowering tariffs on British wine might impact UK wine producer revenue (**Text A**, 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 <b>OR</b> an accurate written response.</i>	1–2
	For a correct international trade diagram showing a lowering (or removal) of tariffs and increased imports (the level of imports may be identified by a double-head arrow or similar, or reference in the text). <b>OR</b> Explaining that removing the tariff lowers prices, and increases Indian imports/UK exports, resulting in higher revenue for UK wine producers.	
2	For a correct international trade diagram showing a lowering (or removal) of tariffs and increased imports (the level of imports may be identified by a double-head arrow or similar, or reference in the text). <b>AND</b> Explaining that removing the tariff lowers prices, and increases Indian imports/UK exports, resulting in higher revenue for UK wine producers.	3–4



*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),  $S_w$ ,  $S_{UK}$ ,  $P_{world}$ ,  $P_w$ ,  $P_{UK}$ , or any similar label indicating the horizontal line is the world price/supply. A title is not necessary.*

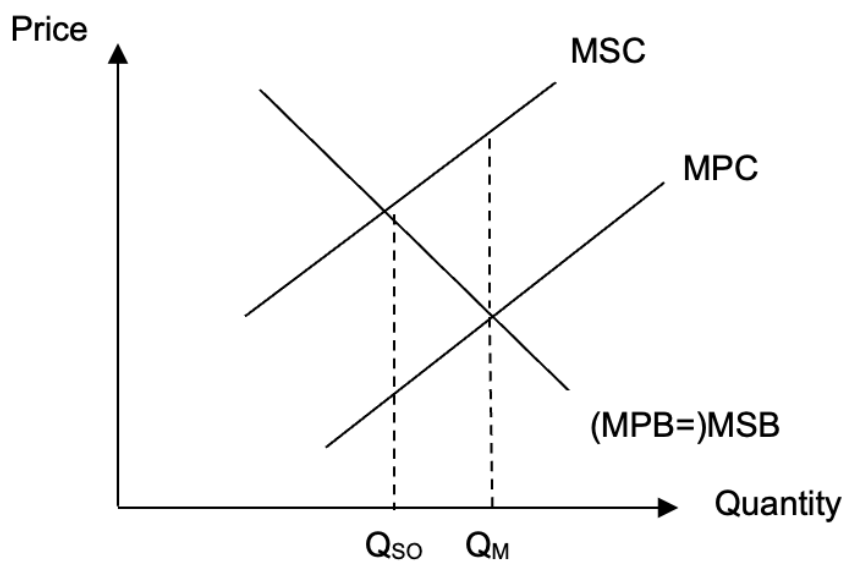
Some candidates may draw three world supply/price lines to reflect that tariffs are only reduced, not eliminated. If the lines are correctly drawn and explained, this approach can be fully rewarded.

- (e) Using an externalities diagram, explain the market failure that could occur in the market for fossil fuel energy (**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 <b>OR</b> an accurate written response.</i>	1–2
	<p>For a correct externalities diagram showing MSC higher than MPC and either of the following indicated:</p> <ol style="list-style-type: none"> <li>the market equilibrium (<math>Q_M</math>) is more than the social optimum output level (<math>Q_{SO}</math>) (intercepts on the x-axis need to clearly identify these outputs, annotations such as Q1 and Q2 are not sufficient unless the explanation identifies these as the market and social optimum equilibria)</li> <li>the welfare loss is shaded/identified.</li> </ol> <p><b>OR</b></p> <p>Explaining that the market for fossil fuel energy is associated with any <b>one</b> of the following:</p> <ul style="list-style-type: none"> <li>an overallocation of resources</li> <li>a situation where the fossil fuel market is operating at a level that is not socially efficient (<math>MSB \neq MSC</math> or <math>MSC &gt; MSB</math>)</li> <li>a welfare loss (to society).</li> </ul>	
2	<p>For a correct externalities diagram showing MSC higher than MPC and either of the following indicated:</p> <ol style="list-style-type: none"> <li>the market equilibrium (<math>Q_M</math>) is more than the social optimum output level (<math>Q_{SO}</math>) (intercepts on the x-axis need to clearly identify these outputs, annotations such as Q1 and Q2 are not sufficient unless the explanation identifies these as the market and social optimum equilibria)</li> <li>the welfare loss is shaded/identified</li> </ol> <p><b>AND</b></p> <p>Explaining that the market for fossil fuel energy is associated with any <b>one</b> of the following:</p> <ul style="list-style-type: none"> <li>an overallocation of resources</li> <li>a situation where the fossil fuel market is operating at a level that is not socially efficient (<math>MSB \neq MSC</math> or <math>MSC &gt; MSB</math>)</li> <li>a welfare loss (to society).</li> </ul>	3–4



**N.B.** Students may address this question using negative externalities of consumption and can achieve full marks if the accompanying explanation is correct.

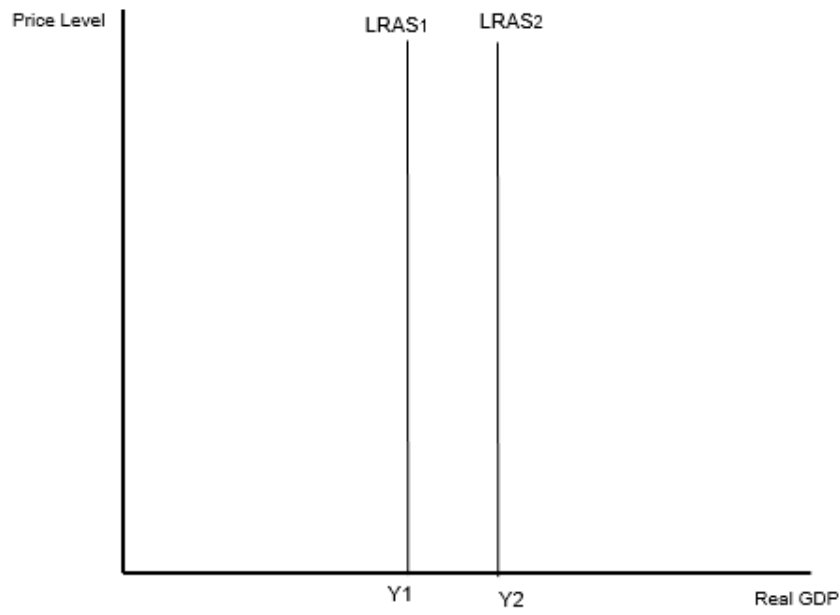


The vertical axis may be price but could be costs or benefits. The horizontal axis is quantity. P and Q are sufficient. A title is not necessary.

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

- (f) Using an AD/AS diagram, explain how increased female participation rates may impact India’s potential output (**Text B**, paragraph 2 and **Table 1**) **[4]**

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram <b>OR</b> an accurate written response.	1–2
	For a correct AD/AS diagram showing an increase in the LRAS (or Keynesian AS) <b>OR</b> Explaining that the quantity of labour (a factor of production) would increase the productive capacity/efficiency/LRAS and therefore increase potential output.	
2	For a correct AD/AS diagram showing an increase in the LRAS (or Keynesian AS) <b>AND</b> Explaining that the quantity of labour (a factor of production) would increase the productive capacity/efficiency/LRAS and therefore increase potential output.	3–4



*For AD/AS, the vertical axis may be Average (General) Price Level or Price Level. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. Any abbreviation of the previous terms is acceptable. A title is not necessary.*

- (g) Using information from the text/data and your knowledge of economics, discuss the impact an India-UK trade agreement may have on India’s ability to achieve **two** sustainable development goals. **[15]**

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not meet a standard described by the descriptors below.</li> </ul>
1–3	<ul style="list-style-type: none"> <li>• The response indicates little understanding of the specific demands of the question.</li> <li>• Economic theory is stated but it is not relevant.</li> <li>• Economic terms are stated but they are not relevant or are used incorrectly.</li> <li>• The response contains no evidence of synthesis or evaluation.</li> <li>• The response contains no use of text/data or it is merely copied.</li> </ul>
4–6	<ul style="list-style-type: none"> <li>• The response indicates some understanding of the specific demands of the question.</li> <li>• Relevant economic theory is described.</li> <li>• Some relevant economic terms are included.</li> <li>• The response contains evidence of relevant but superficial synthesis or evaluation.</li> <li>• The response contains limited use of text/data.</li> </ul>
7–9	<ul style="list-style-type: none"> <li>• The response indicates understanding of the specific demands of the question, but these demands are only partially addressed.</li> <li>• Relevant economic theory is partly explained.</li> <li>• Some relevant economic terms are used appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included.</li> <li>• The response contains evidence of appropriate synthesis or evaluation but lacks balance.</li> <li>• The response includes some relevant information from the text/data.</li> </ul>
10–12	<ul style="list-style-type: none"> <li>• The specific demands of the question are understood and addressed.</li> <li>• Relevant economic theory is explained.</li> <li>• Relevant economic terms are used appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included and explained.</li> <li>• The response contains evidence of appropriate synthesis or evaluation that is mostly balanced.</li> <li>• The use of information from the text/data is generally appropriate, relevant, and applied correctly.</li> </ul>
13–15	<ul style="list-style-type: none"> <li>• The specific demands of the question are thoroughly understood and addressed.</li> <li>• Relevant economic theory is fully explained.</li> <li>• Relevant economic terms are used appropriately throughout the response.</li> <li>• Where appropriate, relevant diagram(s) are included and fully explained.</li> <li>• The response contains evidence of effective and balanced synthesis or evaluation.</li> <li>• The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation.</li> </ul>

*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.

Key terminology **may** include:

Sustainable development goals, free trade agreement,

Economic models to support analysis **may** include:

Trade diagrams, externality diagrams, poverty cycle, AD/AS, Lorenz curve, market diagrams

<p>In general</p> <ol style="list-style-type: none"> <li>1) India is behind the UK in achieving the SDGs, so any help may benefit India (Table 2)</li> <li>2) Diversifying trade partners and reducing the impact of global political and economic shocks allows resources/strategies allocated to achieving the SDGs to remain consistent (Text A, paragraph 1)</li> <li>3) Doubling trade may result in higher tax revenue which may be directed towards strategies to achieve the SDGs (Text A, paragraph 2)</li> <li>4) The trade agreement is recognising the relationship between trade and sustainable development and is explicitly stating that the SDGs can be enhanced through a comprehensive agreement (Text B, paragraph 1)</li> <li>5) General benefits from increased exports (Text A, paragraph 2) may help achieve SDGs in different ways (candidates may be able to use different parts of text and economic models to support this claim)</li> </ol>		
<p><b>Example of goal (Table 3)</b></p>	<p><b>Examples of approach: The trade agreement may support achieving goals:</b></p>	<p><b>Examples of approach: The trade agreement may hinder achieving goals:</b></p>
<p>No Poverty</p>	<ul style="list-style-type: none"> <li>● May offer more work opportunities and increase lower-income earners' income (Text A, paragraph 2)</li> <li>● The lower price of imports (Text A, paragraph 3)</li> <li>● Possible increased incomes through more remittances from those who access UK work permits (Text A, paragraph 2)</li> <li>● UK and India are moderately improving and may be able to provide good support to each other (Table 2)</li> <li>● Infant industry support - Tariffs are being reduced slowly, and lower business tax supports jobs.</li> </ul> <p><b>Possible diagrams:</b> Poverty cycle, trade diagram, ADAS, D/S or international trade diagram showing lower business taxes</p>	<ul style="list-style-type: none"> <li>● Issues with cutting labour costs and labour protection (Text A, paragraph 6)</li> <li>● Is trade needed if India is set to be the 3rd largest economy by 2030 (Text A, paragraph 1)</li> <li>● Privatization of health sector may increase prices and create monopolies (Text A, paragraph 5)</li> <li>● Infant industries may suffer (Text A, paragraph 4)</li> </ul>
<p>2. Zero Hunger</p>	<ul style="list-style-type: none"> <li>● India is stagnating Table 3, so it may be beneficial to have higher levels of collaboration, especially in agriculture (Text B, paragraph 2)</li> </ul> <p><b>Possible diagrams:</b> Market for agriculture</p>	<ul style="list-style-type: none"> <li>● Other issues might be the underlying issue. For example, supply chain problems, high inflation (Text A, paragraph 1).</li> </ul>

<p>3. Health and Wellbeing.</p>	<ul style="list-style-type: none"> <li>● Health R&amp;D may decrease prices leading to improved health outcomes, in turn, can support other goals with a healthier, more productive workforce. (Text B, paragraphs 2 &amp; 3)</li> <li>● India's progress is 'decreasing' and highlights the importance of this collaboration (Table 3)</li> <li>● Pressure from labour protection groups may help working conditions (Text A, paragraph 6)</li> <li>● Collaboration to improve human and labour rights (Text B, paragraph 2)</li> <li>● UK's insurance expertise may improve India's health insurance program. (Text B, paragraph 3)</li> </ul> <p><b>Possible diagrams:</b> market for medication externality diagram, poverty cycle, PPC</p>	<ul style="list-style-type: none"> <li>● Intellectual property clause may reduce supply and increase prices of generic medication/create monopolies. (Text B, paragraph 3)</li> <li>● Privatisation of healthcare and water increase prices/create monopolies (Text A, paragraph 5)</li> </ul> <p><b>Possible diagrams:</b> externality diagram, PPC, LRAS</p>
<p>4. Quality education</p>	<ul style="list-style-type: none"> <li>● Increased ability to access education in the UK – may have a long-term impact on the quality of human capital in India (Text A, paragraph 2)</li> <li>● India's progress is stagnating and highlights the importance of collaboration (Table 3)</li> </ul> <p><b>Possible diagrams:</b> poverty cycle, PPC, LRAS</p>	<p>Privatisation of the education sector may cause issues (Text A, paragraph 5)</p>
<p>5. Gender Equality</p>	<ul style="list-style-type: none"> <li>● The collaboration with credit and market access for women and increasing education opportunities. (Text B, paragraph 2)</li> <li>● The UK is on track to achieving this goal and could support India which is stagnating. (Table 2, Table 3)</li> <li>● Increase female participation rates (Text B, paragraph 2)</li> <li>● <b>Possible diagrams:</b> Lorenz curve</li> </ul>	<ul style="list-style-type: none"> <li>● If labour laws remain without labour union power, it may result in less development toward goals (Text A, paragraph 6)</li> </ul>
<p>11. Sustainable Cities and Communities</p>	<ul style="list-style-type: none"> <li>● Research and development may improve technology, alternative forms of energy/clean energy reducing pollution in the cities (Text B, paragraph 2)</li> <li>● Job creation from trade (Text A, paragraph 2) may reduce the number</li> </ul>	<ul style="list-style-type: none"> <li>● With more economic activity there could be further issues with pollution (Text B, paragraph 4)</li> </ul>

	<p>of people living in the slums</p> <ul style="list-style-type: none"> <li>● India's progress is decreasing and highlights the importance of this collaboration (Table 2)</li> <li>● Table 4 – population data</li> </ul> <p><b>Possible diagrams:</b> Externalities, AD/AS</p>	
<p>17. Partnerships for goals</p>	<ul style="list-style-type: none"> <li>● A comprehensive trade agreement could serve as a partnership and improve India's SDG progress from its current stagnating progress measure (Table 3)</li> </ul>	

Candidates may choose any of the SDGs to discuss and are not limited to the goals given in Table 3.

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

2. (a) (i) Define the term *fiscal policy* indicated in bold (**Text C**, paragraph 2). [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 any <b>one</b> of the following: <ul style="list-style-type: none"> <li>• a policy that changes AD (it is a demand-side policy)</li> <li>• a policy that changes government spending /taxation/the budget</li> <li>• a policy that aims to achieve (macro)economic objectives (low inflation/ economic growth / low unemployment, a healthy balance of payments / a stable exchange rate/equity).</li> </ul>	
2	<i>Accurate definition</i>	2
	The idea that it is a policy that changes government spending /taxation/the budget in order to: <ul style="list-style-type: none"> <li>• change AD (it is a demand-side policy) <b>OR</b></li> <li>• achieve (macro)economic objectives (low inflation / economic growth/ low unemployment, a healthy balance of payments / a stable exchange rate/equity).</li> </ul>	

(ii) Define the term *tradable permits* indicated in bold (**Text D**, paragraph 2). [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 permits issued (by a governing body) to limit pollution/emissions.	
2	<i>Accurate definition</i>	2
	An understanding that they are permits issued (by a governing body) to limit pollution/emissions. These permits may be traded (bought or sold) in a market (for such permits).	

(b) (i) Using information from **Table 5**, calculate real GDP in 2021 for Malaysia in US\$. [2]

$$\frac{375}{111} \times 100 \quad [1]$$

337.84 billion **OR** 337 838 million [1]

*An answer of 338 without workings or units is sufficient for [1].*

*Any valid working is sufficient for [1] (e.g. if x100 has been neglected).*

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

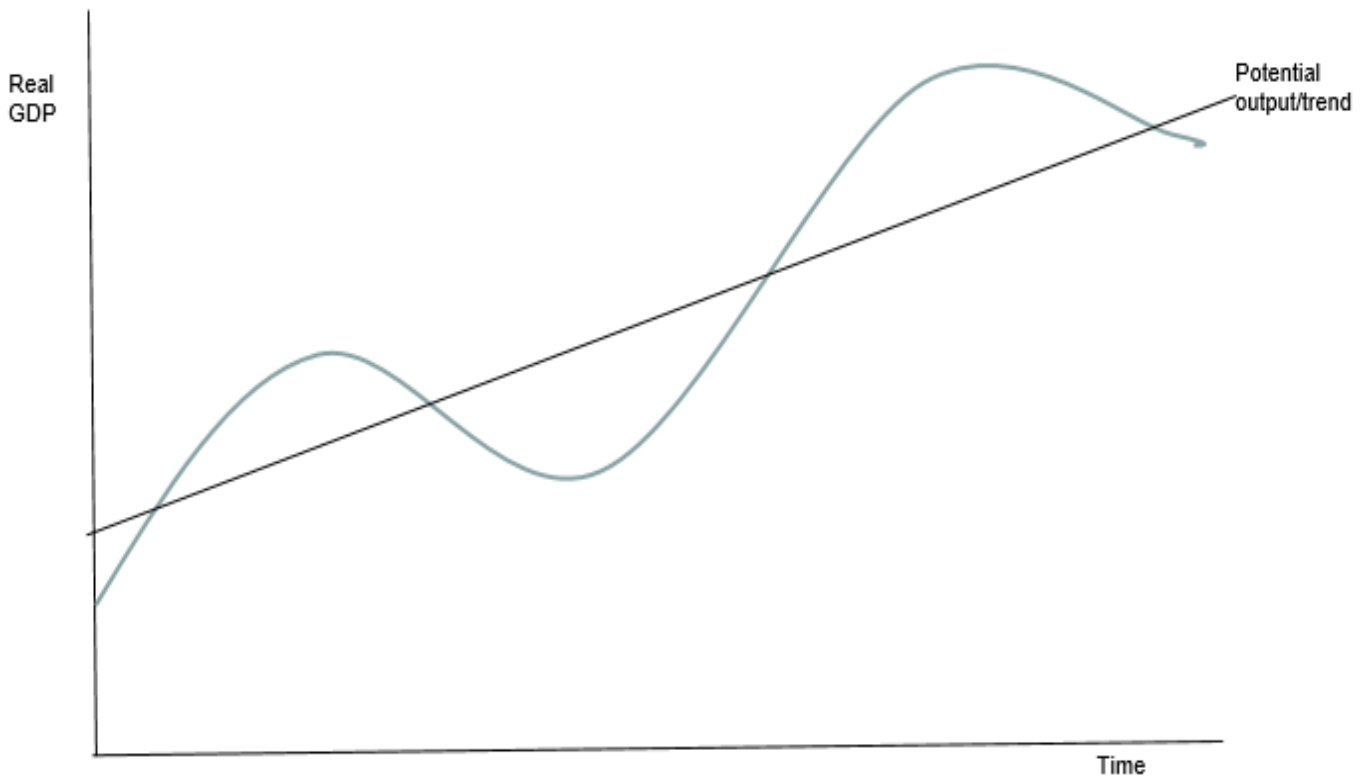
- (ii) Using information from **Table 5** and your answer to (b)(i), calculate real GDP per capita in 2021 for Malaysia in US\$. [1]

$$\frac{337.84 \text{ billion}}{33.5 \text{ million}} = 10\,084.78$$

*An answer of 10 084.78 or 10 084.77 or 10 084.71 without workings is sufficient for [1]. OFR applies.*

- (iii) Sketch a business cycle diagram to show how real GDP can be different from potential output (**Text C**, paragraph 2). [2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	For sketching a business cycle diagram that shows a fluctuating GDP line and a trend line, with some mislabelling or missing label(s).	1
2	For sketching a correctly labelled business cycle diagram that shows a fluctuating GDP line and a trend line.	2



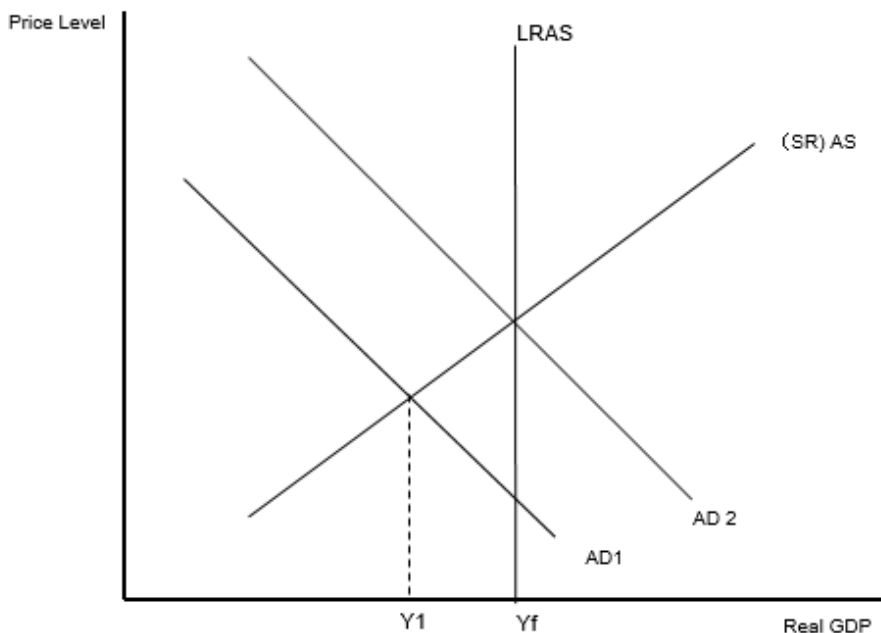
*The vertical axis may be labelled real GDP or output or real income. The horizontal axis may be time or years. The potential output line may be labelled in various ways, including “long-term trend” or “full employment output”. The Real GDP line need not be labelled.*



(c) Using an AD/AS diagram, explain how an expansionary fiscal policy can remove a deflationary (recessionary) gap (**Text C**, 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 <b>OR</b> an accurate written response.</i>	1–2
	For a correctly labelled AD/AS diagram (with a LRAS or Keynesian AS), showing initial output to the left of the full employment (potential) level of output (which should be identified as $Y_F$ , $Y_P$ or similar – annotations such as $Y_1$ and $Y_2$ are not sufficient unless the explanation identifies these as the actual and potential levels of output), the AD curve shifting right and a rise in output <b>OR</b> for an explanation that expansionary fiscal policy results in a higher output/AD through either: <ul style="list-style-type: none"> <li>• an increase in government spending</li> <li>• an increase in consumption/investment due to lower (direct) taxes</li> </ul> which closes the deflationary (recessionary) gap.	
2	<i>There is a correct diagram <b>AND</b> an accurate written response.</i>	3–4
	For a correctly labelled AD/AS diagram (with a LRAS or Keynesian AS), showing initial output to the left of the full employment (potential) level of output (which should be identified as $Y_F$ , $Y_P$ or similar - annotations such as $Y_1$ and $Y_2$ are not sufficient unless the explanation identifies these as the actual and potential levels of output), the AD curve shifting right and a rise in output <b>AND</b> for an explanation that expansionary fiscal policy results in a higher output/AD through either: <ul style="list-style-type: none"> <li>• an increase in government spending</li> <li>• an increase in consumption/investment due to lower (direct) taxes</li> </ul> which closes the deflationary (recessionary) gap.	

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



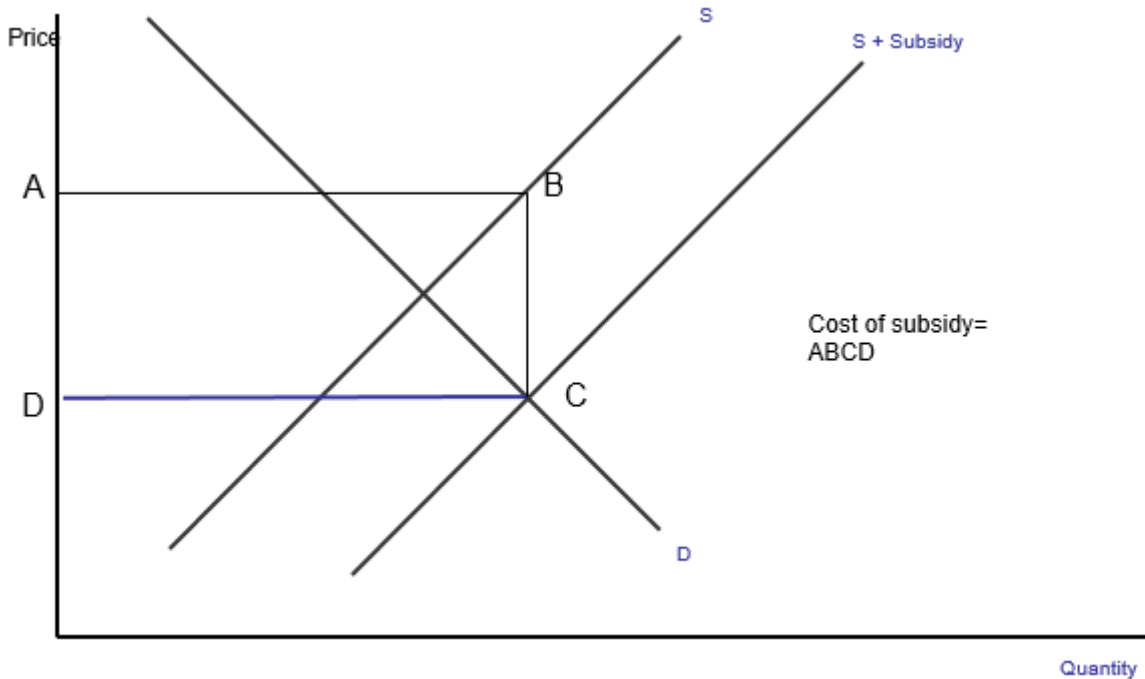
For an AD/AS diagram, the vertical axis may be Average (General) Price Level or Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS is acceptable. A title is not necessary.

Labelling/identifying the deflationary (recessionary) gap with a double-headed arrow (or similar) should be sufficient to indicate that the initial output is less than the potential output (even if the potential output is labelled as Y<sub>2</sub>) for full marks.

- (d) Using a demand and supply diagram, explain how a subsidy on gasoline increases Malaysian government spending (**Text C**, 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 <b>OR</b> an accurate written response.</i>	1–2
	For a correctly labelled demand and supply diagram, showing supply shifting downwards and the area of the subsidy shown (which may be delineated in the explanation instead of being shaded/indicated on the diagram) <b>OR</b> for an explanation that the subsidy is a payment from the government to the producer(s), which reduces firms' costs/reduces the price. The government spending is equal to the subsidy (per unit) times the quantity (sold).	
2	<i>There is a correct diagram <b>AND</b> an accurate written response.</i>	3–4
	For a correctly labelled demand and supply diagram, showing supply shifting downwards and the area of the subsidy shown (which may be delineated in the explanation instead of being shaded/indicated on the diagram) <b>AND</b> for an explanation that the subsidy is a payment from the government to the producer(s), which reduces firms' costs/reduces the price. The government spending is equal to the subsidy (per unit) times the quantity (sold).	

Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.  
Candidates may indicate the government spending on the subsidy with a shaded area or numbers/letters in the diagram.

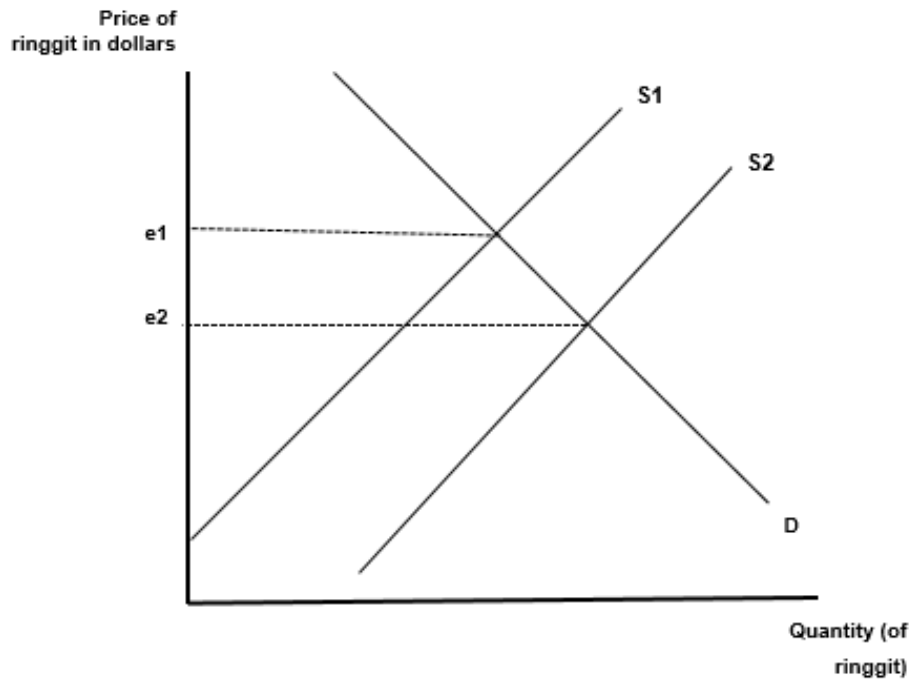


The vertical axis may be price or P. The horizontal axis may be quantity or Q. A title is not necessary.

- (e) Using an exchange rate diagram, explain the possible effect on the exchange rate for the ringgit (Malaysia’s currency) of removing administrative barriers to imports (**Text C**, 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 <b>OR</b> an accurate written response.	1–2
	For a correctly labelled exchange rate diagram, showing the supply of the ringgit shifting right and the exchange rate decreasing <b>OR</b> for an explanation that lower administrative barriers result in more imports and therefore increased selling of the ringgit to purchase foreign currencies (to pay for the imports). This would result in a depreciation/decline of the exchange rate.	
2	There is a correct diagram <b>AND</b> an accurate written response.	3–4
	For a correctly labelled exchange rate diagram, showing the supply of the ringgit shifting right and the exchange rate decreasing <b>AND</b> for an explanation that lower administrative barriers result in more imports and therefore increased selling of the ringgit to purchase foreign currencies (to pay for the imports). This would result in a depreciation/decline of the exchange rate.	

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

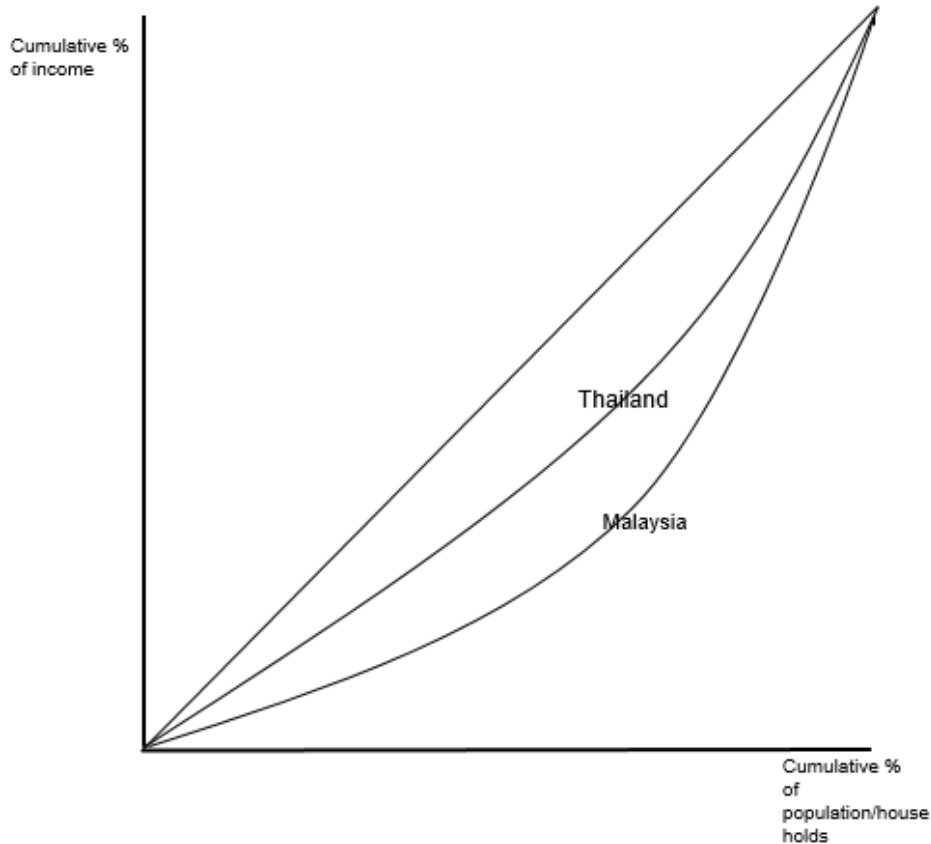


*The vertical axis may be exchange rate, price/value of the ringgit in another currency, other currency/ ringgit or other currency per ringgit. The horizontal axis may be quantity or quantity of ringgit. All abbreviations are acceptable. A title is not necessary.*

- (f) Using a Lorenz curve diagram, explain the difference in Gini coefficient data between Malaysia and Thailand in 2021 (**Table 6**). **[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 <b>OR</b> an accurate written response.</i>	1–2
	For a correctly labelled Lorenz curve diagram showing two curves with the curve for Malaysia being further away from the line of (perfect/absolute) equality <b>OR</b> an explanation that a higher Gini coefficient implies that the distribution of income was more unequal in Malaysia than in Thailand (the area between the Lorenz curve and the line of perfect equality is greater in Malaysia than in Thailand).	
2	<i>There is a correct diagram <b>AND</b> an accurate written response.</i>	3–4
	For a correctly labelled Lorenz curve diagram showing two curves with the curve for Malaysia being further away from the line of (perfect/absolute) equality <b>AND</b> an explanation that a higher Gini coefficient implies that the distribution of income was more unequal in Malaysia than in Thailand (the area between the Lorenz curve and the line of perfect equality is greater in Malaysia than in Thailand).	

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



For the vertical axis, the label may be cumulative percentage of income or percentage of income (GDP and GNI are valid alternatives to income but wealth is not acceptable). For the horizontal axis, the label may be cumulative percentage of population/households or percentage of population/households. All abbreviations are acceptable. The diagonal line need not be labelled. A title is not necessary.

- (g) Using information from the text/data and your knowledge of economics, evaluate whether intervention in markets in Malaysia is meeting the government’s economic objectives. **[15]**

*Do not give more than three marks if the answer does not contain reference to the information provided.*

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not meet a standard described by the descriptors below.</li> </ul>
1–3	<ul style="list-style-type: none"> <li>• The response indicates little understanding of the specific demands of the question.</li> <li>• Economic theory is stated but it is not relevant.</li> <li>• Economic terms are stated but they are not relevant or are used incorrectly.</li> <li>• The response contains no evidence of synthesis or evaluation.</li> <li>• The response contains no use of text/data or it is merely copied.</li> </ul>
4–6	<ul style="list-style-type: none"> <li>• The response indicates some understanding of the specific demands of the question.</li> <li>• Relevant economic theory is described.</li> <li>• Some relevant economic terms are included.</li> <li>• The response contains evidence of relevant but superficial synthesis or evaluation.</li> <li>• The response contains limited use of text/data.</li> </ul>
7–9	<ul style="list-style-type: none"> <li>• The response indicates understanding of the specific demands of the question, but these demands are only partially addressed.</li> <li>• Relevant economic theory is partly explained.</li> <li>• Some relevant economic terms are used appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included.</li> <li>• The response contains evidence of appropriate synthesis or evaluation but lacks balance.</li> <li>• The response includes some relevant information from the text/data.</li> </ul>
10–12	<ul style="list-style-type: none"> <li>• The specific demands of the question are understood and addressed.</li> <li>• Relevant economic theory is explained.</li> <li>• Relevant economic terms are used appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included and explained.</li> <li>• The response contains evidence of appropriate synthesis or evaluation that is mostly balanced.</li> <li>• The use of information from the text/data is generally appropriate, relevant, and applied correctly.</li> </ul>
13–15	<ul style="list-style-type: none"> <li>• The specific demands of the question are thoroughly understood and addressed.</li> <li>• Relevant economic theory is fully explained.</li> <li>• Relevant economic terms are used appropriately throughout the response.</li> <li>• Where appropriate, relevant diagram(s) are included and fully explained.</li> <li>• The response contains evidence of effective and balanced synthesis or evaluation.</li> <li>• The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation.</li> </ul>

*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.

*Terminology may include:*

- efficiency, equity, sustainability, economic well-being, scarcity, opportunity costs

*Economic models to support analysis may include:*

- an externalities diagram,
- a labour market diagram
- a subsidies diagram (for gasoline, flour, electricity)
- an indirect tax diagram (carbon tax, tax on luxuries, etc)
- a PPC diagram
- an AD/AS diagram (to show effect of investments into infrastructure/human capital)
- a Lorenz curve diagram

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

*Candidates are not expected to cover every possible type of intervention or every objective in order to achieve high marks.*

*Possible government objectives that appear in the text:*

- *increase incomes or reduce poverty*
- *reduce carbon emissions*
- *reduce inequality*
- *increase growth*
- *reduce unemployment*
- *increase trade*
- *increase FDI inflows*

*Possible forms of intervention:*

- Intervention through increased government spending on transfer payments and subsidies in certain markets (Text C, paragraphs 2 and/or 3 and/or 4)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Increasing GDP (Table 5) and employment</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to a budget deficit and need to borrow but debt is not very large (Paragraph 2 or Table 5)</li> </ul>
<ul style="list-style-type: none"> <li>• Reducing income inequality (Paragraph 3 or Table 5)</li> </ul>	
<ul style="list-style-type: none"> <li>• Subsidies are becoming more targeted</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to overconsumption of gasoline which adds to negative externalities</li> </ul>
<ul style="list-style-type: none"> <li>• Eliminating absolute poverty (SDG1) (Table 5)</li> </ul>	

- Intervention in markets for merit goods and infrastructure (Text C, paragraph(s) 3 and/or 5)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Reducing market failure</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to a budget deficit and need to borrow</li> </ul>

<ul style="list-style-type: none"> <li>• HDI and rank improving (Table 5)</li> </ul>	<ul style="list-style-type: none"> <li>• High-income households sometimes benefit more than low-income households</li> </ul>
<ul style="list-style-type: none"> <li>• Improving human capital –higher potential growth</li> </ul>	

- Intervention in labour markets and in investment markets (Text C, paragraph(s) 4 and/or 5)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Minimum wage improves standard of living, reduces inequality and may increase GDP through increases in productivity</li> </ul>	<ul style="list-style-type: none"> <li>• May create unemployment in competitive labour markets</li> </ul>
<ul style="list-style-type: none"> <li>• Increasing labour force participation rate for females (Table 5)</li> </ul>	<ul style="list-style-type: none"> <li>• But still low (Table 5)</li> </ul>
<ul style="list-style-type: none"> <li>• Reducing the number of informal markets leads to more protection and possibly higher wages for workers</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to more unemployment and fewer opportunities for female workers</li> </ul>
<ul style="list-style-type: none"> <li>• Investing in infrastructure where projects are too big or risky for the private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity costs</li> </ul>
<ul style="list-style-type: none"> <li>• Promoting innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Risky</li> </ul>
<ul style="list-style-type: none"> <li>• Supporting weaker sectors (agriculture and fishing) and smaller firms</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to inefficiency (lack of economies of scale) and/ or less environmental protection (Text D)</li> </ul>

- Intervention in foreign trade markets (Text C, paragraph 6)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Protecting domestic firms with administrative barriers etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Membership of FTAs implies reduction of barriers and protection</li> </ul>
	<ul style="list-style-type: none"> <li>• High exports and trade account surplus make such measures unnecessary (Table 5)</li> </ul>

- Intervention in foreign exchange markets and financial markets (Text C, paragraph 7)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Stabilizing the exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>• Need reserve assets</li> </ul>
<ul style="list-style-type: none"> <li>• Maybe Malaysia is deliberately depreciating the currency (keeping it undervalued) as exports are increased</li> </ul>	<ul style="list-style-type: none"> <li>• Other countries may complain if currency is undervalued</li> </ul>
<ul style="list-style-type: none"> <li>• Regulations on outflows of FDI and portfolio investment, which are very volatile. Overall financial balance is negative (Table 5)</li> </ul>	<ul style="list-style-type: none"> <li>• Negative balance on financial account is counterbalanced by trade surplus (Table 5)</li> <li>• Regulations can distort such markets and make them less efficient. Actually being liberalized/deregulated</li> </ul>



- Intervention to improve the environment and reduce externalities (Text D)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Investing in green projects and renewable energy (Text D, paragraph 1)</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity costs</li> </ul>
<ul style="list-style-type: none"> <li>• May implement a carbon tax (Text D, paragraph 2)</li> </ul>	<ul style="list-style-type: none"> <li>• Regressive, but low income households can receive transfer payments as compensation</li> </ul>
<ul style="list-style-type: none"> <li>• Making subsidies conditional on firms following environmental standards (Text D, paragraph 3)</li> </ul>	<ul style="list-style-type: none"> <li>• May increase firms' costs</li> </ul>

- Intervention through taxation (Text E)

<i>strengths</i>	<i>limitations</i>
<ul style="list-style-type: none"> <li>• Extra tax on luxury goods</li> </ul>	<ul style="list-style-type: none"> <li>• May be difficult to define and affects certain firms unfairly or act as trade protection</li> </ul>
<ul style="list-style-type: none"> <li>• Extra tax on demerit goods, such as e-cigarettes</li> <li>• Demand for e-cigarettes among young people is relatively elastic</li> </ul>	<ul style="list-style-type: none"> <li>• May be regressive; may increase demand for tobacco cigarettes</li> </ul>

*Examiners should be aware that candidates may take a different approach (such as focusing on each objective and then evaluating the intervention that might achieve that objective) which, if appropriate, should be rewarded.*

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