

Markscheme

November 2021

Economics

Higher level

Paper 2

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Section A

1. (a) (i) Define the term *gross domestic product* indicated in bold in the text (paragraph 4).

[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 the output produced in an economy.	
2	<i>Accurate definition.</i>	2
	An understanding that it is the (total) value of all goods and services produced in an economy/country (in a given time period). OR An understanding that it is the sum of consumption, investment, government spending and net exports. (NB The term “over time” is not necessary for [2].)	

- (ii) Define the term *current account surplus* indicated in bold in the text (paragraph 7).

[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 the flow of money from trade in goods and services is positive.	
2	<i>Accurate definition.</i>	2
	An understanding that it is when the net flow of money from trade in goods and services and income flows/primary income and/or (current) transfers/secondary income is positive.	

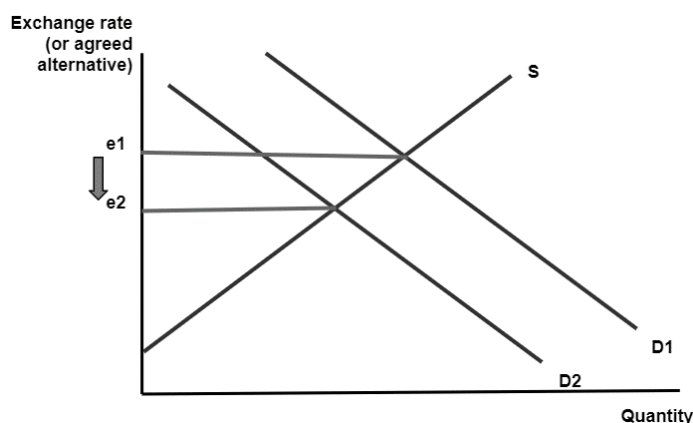
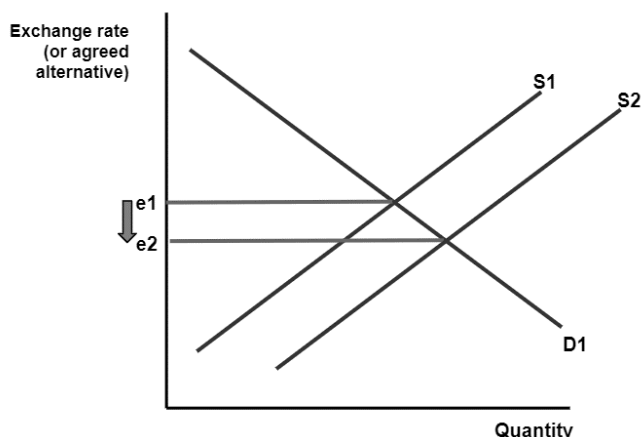
- (b) Using an exchange rate diagram, explain how a decrease in the interest rate might influence the value of the Thai baht (paragraph 6).

[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 OR an accurate written response.</i>	1–2
	For an exchange rate diagram showing a shift of supply to the right, with a decrease in value/price of Thai baht. OR For an explanation that a reduction in the interest rate will cause Thai citizens to move financial/portfolio investments abroad This will lead to an increase in supply of the baht, resulting in a depreciation/decrease in its value/price.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For an exchange rate diagram showing a shift of supply to the right, with a decrease in price of Thai baht. AND For an explanation that a reduction in the interest rate will cause Thai citizens to move financial/portfolio investments abroad This will lead to an increase in supply of the baht, resulting in a depreciation/decrease in its value/price.	

NB Candidates may show a decrease in demand for the Thai baht resulting from the decreased attractiveness of /financial/ portfolio investments
This will lead to a decrease in demand and result in a depreciation/decrease in the value/price. This approach should be fully rewarded.

Candidates who incorrectly label diagrams can be awarded a maximum of [3].
For an exchange rate diagram, the vertical axis may be exchange rate, price of (Thai) baht in other currency, (Thai) baht in other currency, or other currency per THB, or OTHER CURRENCY/THB. The horizontal axis may be quantity, Q, or quantity of (Thai) baht.



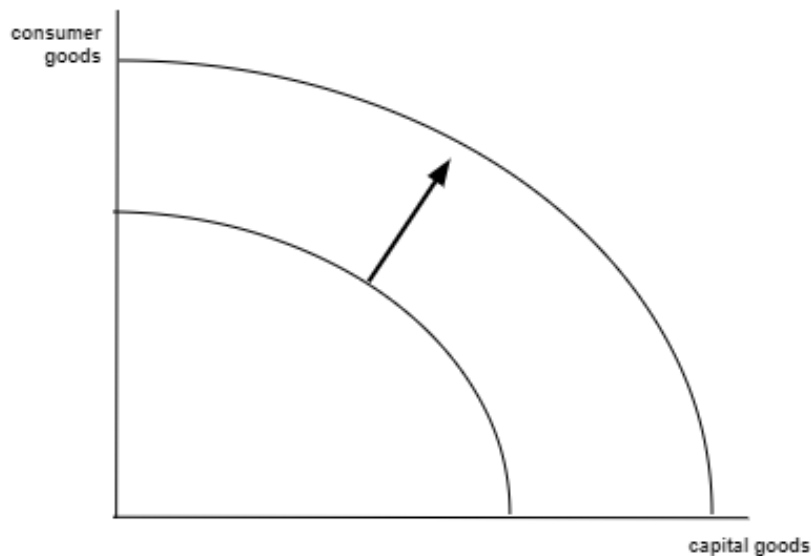
- (c) Using a production possibilities curve (PPC) diagram, explain how the importing of “new technology and capital equipment” might affect Thailand’s production possibilities (paragraph 3).

[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 drawing a correctly labelled PPC diagram, showing an outward shift of the PPC OR For explaining that technology/capital equipment increases the quantity and/or quality/efficiency/productivity of resources/factors which will lead to outward shift the curve, therefore increasing potential output / production possibilities.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For drawing a correctly labelled PPC diagram, showing an outward shift of the PPC AND For explaining that technology/capital equipment increases the quantity and/or quality/efficiency/productivity of resources/factors which will lead to outward shift the curve, therefore increasing potential output / production possibilities.	

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

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



- (d) Using information from the text/data and your knowledge of economics, evaluate the implications of the strong Thai baht on Thailand’s economy.

[8]

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

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	1–2
2	<i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3	<i>Relevant concepts are recognized and developed in depth.</i> There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

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:

- Definition of appreciation.

Economic analysis may include:

- AD/AS
- Marshall Lerner
- J-curve
- Elasticities
- PPC
- Terms of Trade.

Implications of strong Thai baht on inflation rate may include:

- Imported factors of production cheaper, which results in an increase in SRAS and less inflationary pressure (paragraph 3).
- Makes exports less competitive and may result in a decrease in AD (paragraph 4), which results in less inflationary pressure (could be a problem as inflation rate is under target (paragraph 2)).
- The inflation rate is at 0.3% (**Table 1**), which is lower than target rate any increases in AS or decreases in AD may make it more difficult for the central bank to reach its inflation target (paragraph 2).
- Increase in SRAS and decrease AD may lead to deflation concerns, as inflation is very low at 0.3% (**Table 1**).

*Implications of strong Thai baht on economic growth **may** include:*

- Export-orientated country, exports become more expensive (paragraph 4). AD decreases. may restrict/hinder economic growth, which is down to 3% from 4.1% (paragraph 4).
- Long-term impact of lower domestic investment if government reduces controls on capital outflow to curb the appreciation, may decrease investment leading to a decrease in AD and real GDP (paragraph 5).
- Producers can afford new technology and capital equipment, improves productivity, quality and quantity of resources, leads to positive impact on SRAS/LRAS/PPC/RGPD/Economic growth (paragraph 3).
- Foreign debt is easier to pay off, businesses may have less costs leading to SRAS increases leading to increased output (paragraph 3).

*Implications of strong Thai baht on employment **may** include:*

- Increased unemployment due to lower exports, particularly in tourism which makes up 16% of employment (paragraph 4), but lower unemployment rates of 1% (**Table 1**) give less significance to this argument (paragraph 2).

*Implications of strong Thai baht on balance of payments **may** include:*

- Current account surplus (**Table 1**) may decrease as exports, become more expensive for foreigners and imports cheaper for Thai citizens (paragraph 4).
- The effect on net exports depends on the price elasticity of demand for both export and imports.
- Appreciation may help with trade relationship with the US. Thailand wants to avoid being labelled a currency manipulator and its current account surplus is close to the US threshold and the appreciation may help reduce this surplus (paragraph 7).
- Improve terms of trade (paragraph 3).
- Helps with foreign debt repayment (paragraph 3).
- Marshall-Lerner and J-curve discussion.

Any reasonable evaluation.

To reach level 3, students must make reference to the extract/context, not just present a discussion on the implications in general.

2. (a) (i) Define the term *tariffs* indicated in bold in the text (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> The idea they are a barrier to trade.	1
2	<i>Accurate definition.</i> An understanding that they are a tax on imports.	2

(ii) State **two** functions of the World Trade Organization (WTO) (paragraph 6). [2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is limited understanding</i> One function is stated OR two functions are partially stated.	1
2	<i>There is clear understanding</i> An understanding demonstrated by stating two of the following functions of the WTO for its member countries: <ul style="list-style-type: none"> • to set rules for international trade • to enforce rules for international trade • to provide a forum for negotiating trade liberalization • to monitor further trade liberalization • to resolve trade disputes • to review national trade policies • to increase the transparency of decision-making processes • to help developing countries benefit from the global trade • to administer trade agreements • to build the trade capacity of developing economies • to cooperate with other international organizations. 	2

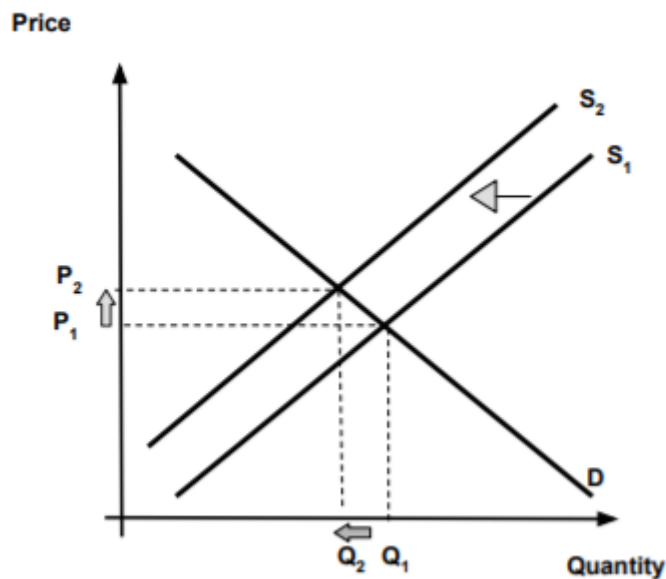
- (b) Using a demand and supply diagram for processed food, explain how the EU's tariff on palm oil might impact the market for processed food in the EU (paragraph 5).

[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 drawing a correctly labelled demand and supply diagram for processed food that shows a decrease in supply (shift the left), and an increase in equilibrium price and decrease in equilibrium quantity. OR For explaining that palm oil is a factor of production/input, therefore costs of production (of processed food) will increase. This leads to (a decrease in supply), therefore equilibrium price will increase, and equilibrium quantity will decrease.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3-4
	For drawing a correctly labelled demand and supply diagram for processed food that shows a decrease in supply (shift the left), and an increase in equilibrium price and decrease in equilibrium quantity. AND For explaining that palm oil is a factor of production/input, therefore costs of production (of processed food) will increase. This leads to (a decrease in supply), therefore equilibrium price will increase, and equilibrium quantity will decrease.	

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

For a demand and supply diagram, the vertical axis should be price or *p*. The horizontal axis should be quantity or *q*. A title is not necessary.



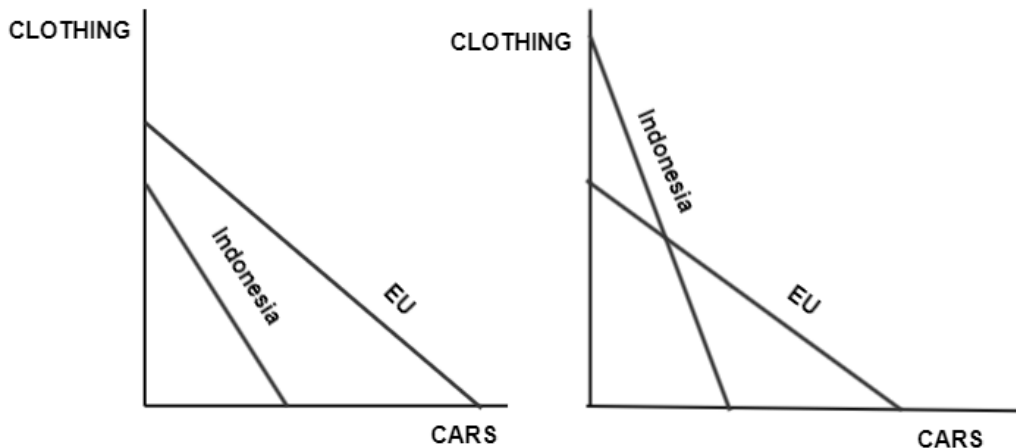
- (c) Using a production possibilities curve (PPC) diagram to illustrate comparative advantage, explain why the EU would export cars to Indonesia and Indonesia would export clothing to the EU (paragraph 2)

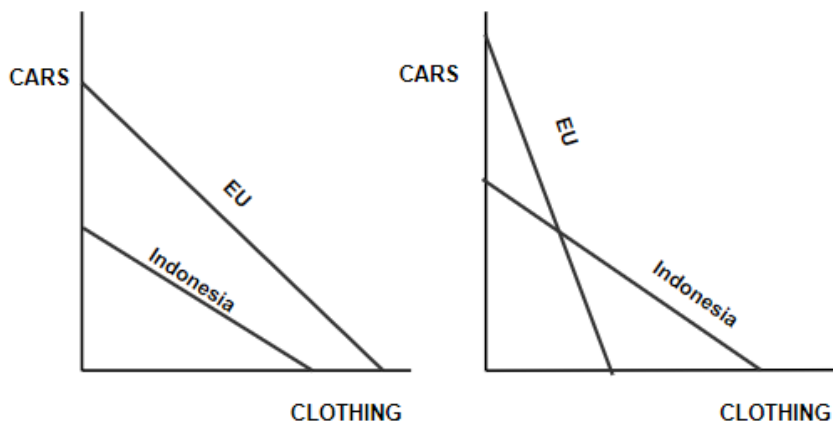
[4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	For drawing a correctly labelled PPC diagram illustrating comparative advantage showing that the EU has a comparative advantage in cars and Indonesia has a comparative advantage in clothing OR an explanation that the EU has a lower opportunity cost in producing cars so would specialize in the production of cars, while Indonesia has lower opportunity cost in clothing, so would specialize in clothing.	1-2
2	<i>There is a correct diagram AND an accurate written response.</i>	3-4
	For drawing a correctly labelled PPC diagram illustrating comparative advantage showing that the EU has a comparative advantage in cars and Indonesia has a comparative advantage in clothing AND an explanation that the EU has a lower opportunity cost in producing cars so would specialize in the production of cars, while Indonesia has lower opportunity cost in clothing, so would specialize in clothing.	

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

The x and y axes can be cars and clothing.





- (d) Using information from the text/data and your knowledge of economics, discuss the economic effects on Indonesia of establishing a free trade agreement with the EU. [8]

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

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Few relevant concepts are recognized.</i>	1–2
	<i>There is basic knowledge/understanding.</i>	
2	<i>Relevant concepts are recognized and developed in reasonable depth.</i>	3–5
	<i>There is clear knowledge/understanding. There is some attempt at application/analysis.</i>	
3	<i>Relevant concepts are recognized and developed in depth.</i>	6–8
	<i>There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.</i>	

Command term

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

Answers *may* include:

- definition of free trade agreement.

Economic models/theory *may* include:

- AD/AS diagram
- economies of scale diagram
- PPC
- market failure
- trade creation / trade diversion.

Positive economic effects may include:

- Larger market, increased output, leads to economies of scale (paragraph 3).
- More exports increases aggregate demand which increases real GDP, which may help the unemployment rate of 12 % (paragraph 2).
- Increased FDI, increases AD, increases real GDP (paragraph 1).
- The EU wants to help Indonesia and has offered grants (17 million) help improve trade conditions and capacity, this could lead to improved quality and quantity of resources (paragraph 8).
- Relationship could help with development of legal and sustainable palm oil production, decreasing market failure (paragraph 8), allow for long term growth and development.
- To be competitive, as other main competitors already have an agreement (paragraph 3). Indonesia may risk losing export customers if they do not establish an FTA.
- Comparative advantage gains (paragraph 2), better allocation of resources.
- Buffers problems with trade war between US and China (paragraph 3).
- Already the two countries appear to be engaging in the trade war. An agreement might help with relations.
- To avoid trade protection (paragraph 1).
- Trade creation.
- Lower prices, more variety for Indonesian consumers.
- Allows Indonesia to get foreign exchange.
- Access better/cheaper technology.

Negative economic effects may include:

- The trade might be restricted by the EU's stance on biofuel from palm oil (paragraph 5). This may restrict benefits from the trade agreement as it is a large part of Indonesia's economy.
- The areas of predicted growth from the agreement are industries that face low wages and poor working conditions, this may be further exploited (paragraph 2).
- FDI associated problems (paragraph 1).
- Could be a problematic negotiation (time consuming and costly), considering the trade war that appears to be occurring with the countries (paragraph 5 and 6).
- Trade diversion.
- Infant industry argument.

Any reasonable discussion.

Section B

3. (a) (i) Define the term *foreign direct investment* indicated in bold in the text (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> The idea it is investment by companies abroad.	1
2	<i>Accurate definition.</i> An understanding that it is any two of the following: <ul style="list-style-type: none"> • long-term investment in another country • investment by a multinational corporation (MNC) abroad • investment in another country representing at least 10% ownership • investment in productive facilities abroad. 	2

- (ii) Define the term *human capital* indicated in bold in the text (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> The idea that it is the quality of labour.	1
2	<i>Accurate definition.</i> An understanding that it is any of one of the following: the <ul style="list-style-type: none"> • the skills, abilities • knowledge • qualifications • experience • health that <ul style="list-style-type: none"> • influences productive capacity • influences the level of factors of production/labour • contributes to personal/social/economic well-being • Is embodied in the labour (force of a country). 	2

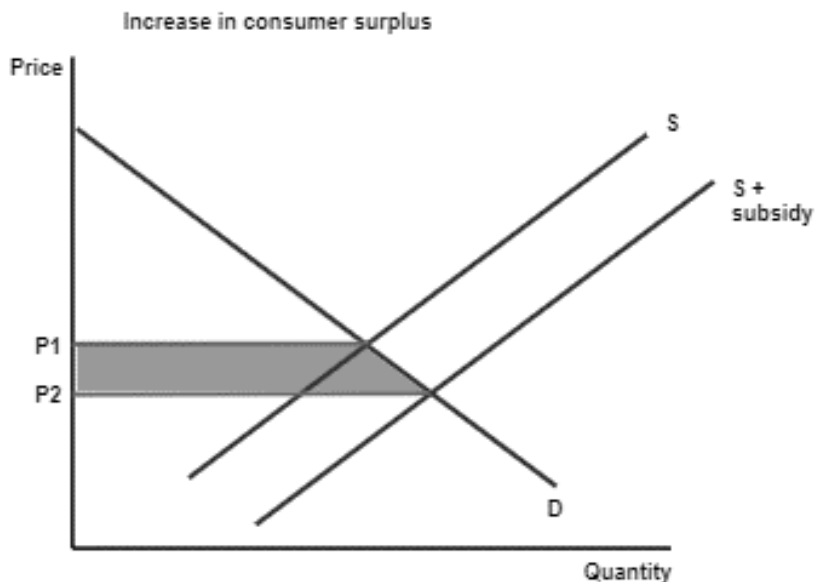
- (b) Using a demand and supply diagram, explain how a subsidy changes the consumer surplus for a good (paragraph 6).

[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 OR an accurate written response.</i>	1–2
	For drawing a correctly labelled demand and supply diagram showing a supply shift to the right, a price decrease and identification / appropriate annotation that indicates an increase in consumer surplus OR For explaining that a subsidy increases the supply as costs of production decrease, price will decrease, and consumer surplus will increase.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For drawing a correctly labelled demand and supply diagram showing a supply shift to the right, a price decrease and identification / appropriate annotation that indicates an increase in consumer surplus AND For explaining that a subsidy increases the supply as costs of production decrease, price will decrease, and consumer surplus will increase.	

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

For a demand and supply diagram, the vertical axis should be price or *p*. The horizontal axis should be quantity or *q*. A title is not necessary.



Candidates may use different notation or shading on the demand and supply diagram with a supported explanation to indicate an increase in consumer surplus and this should be fully awarded.

(c) Using a Lorenz curve, explain how a progressive tax system could change Vanuatu's income distribution (paragraph 7).

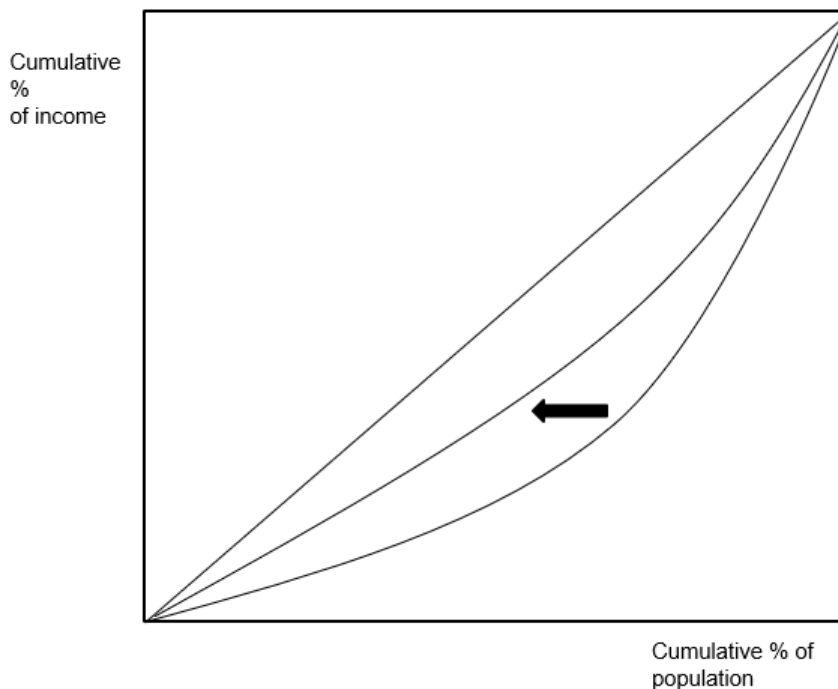
[4]

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 drawing a correctly labelled Lorenz curve diagram showing the Lorenz curve to be shifting closer to the diagonal OR for explaining that Vanuatu's income distribution would become more equal/less income inequality because low income earners will be paying less tax/high income earners paying more.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For drawing a correctly labelled Lorenz curve diagram showing the Lorenz curve to be shifting closer to the diagonal AND for explaining that Vanuatu's income distribution would become more equal/less income inequality because low income earners will be paying less tax/high income earners paying more.	

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

The two curves may be shown on one graph, or may be shown on two graphs.

The vertical axis should be labelled (cumulative) % of income and the horizontal axis should be (cumulative) % of population / households. A title is not necessary. There must be a diagonal line, but it is not a requirement that it is labelled. There should be an indication of the inward shift of the Lorenz curve.



- (d) Using information from the text/data and your knowledge of economics, discuss the effectiveness of foreign aid in achieving economic development in Vanuatu.

[8]

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

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	1–2
2	<i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3	<i>Relevant concepts are recognized and developed in depth.</i> There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

Command term

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

Answers may include:

- Definition of economic development, foreign aid.

Economic analysis, focusing on economic development, may include:

- AD/AS.
- Poverty cycle.
- PPC.
- Lorenz curve.

Effectiveness of foreign aid in achieving economic development may include:

- Aid could be essential to help with transition to a higher developing country status (paragraph 3).
- Aid spending on Education:
 - Higher skilled labour leads to high incomes – breaking poverty cycle/helping with the poverty gap (paragraph 2).
 - Higher level of skill may allow people to move from the informal sector to formal sector with better working conditions (paragraph 2).
 - Could help increase participation of women in the workplace (paragraph 4).
 - Aid spending on health care:
 - Workforce more productive – higher incomes – break poverty cycle (paragraph 5).
- Aid spending on Infrastructure:
 - Access to export markets – increases real GDP, increased output – increase employment opportunities – increasing incomes and lowering poverty (paragraph 6).

- Isolated island nation, more shipping ports/airports may lower costs (paragraph 1).
- Shipping ports/airports – larger markets – access economies of scale (paragraph 5).
- PPC or AD/AS – increases quality and quantity of resources (paragraph 5).
- Infrastructure spending could include improving access to water and electricity (paragraph 2 and 4).
- Infrastructure may help decrease the poverty gap/decrease pressure on cities (paragraph 2).
- Allow for export industry grow and government may be able to remove subsidies and spend on other areas for economic development (paragraph 6).
- Aid spending may help with decreasing the natural disaster vulnerability (paragraph 1).

*Lack of effectiveness of foreign aid in achieving economic development **may** include:*

- Lacks the capacity to deliver the quality education and healthcare needed (paragraph 5).
- Institutions are lacking to support redistribution of benefits from potential export growth (paragraph 5).
- Infrastructure spending mentioned is targeted on export growth (paragraph 6) and may not be in areas that directly improve standards of living such as access to electricity and water (paragraph 3).
- Problems with misuse of funds (paragraph 6).
- Over-reliance on aid is seen as a potential issue (paragraph 7).
- Intentions of donors, China is focusing on infrastructure – but this may not benefit the very poor (paragraph 4).
- Concession loans may cause repayment issues in the future (paragraph 4).
- The new UN developing country status may allow Vanuatu to access funds from other areas and therefore aid might not be needed (paragraph 3).
- Vanuatu's most vulnerable status and climate change does not appear to be part of the aid strategy and this could be more important than the targeted sectors (paragraph 1).

Any reasonable discussion.

4. (a) (i) Define the term *multinational corporations* indicated in bold in the text (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> The idea that it is an international company.	1
2	<i>Accurate definition.</i> An understanding that it is a company that has productive units / operates in more than one country OR that it is a company that carries out foreign direct investment in another country.	2

- (ii) Define the term “*green GDP*” indicated in bold in the text (paragraph 7).

[2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Vague definition.</i> The idea that it is a measure of output that considers environmental destruction/degradation/negative externalities/costs.	1
2	<i>Accurate definition.</i> An understanding that it is the market value of all final goods and services produced in an economy adjusted/accounting for environmental destruction/degradation/costs. OR GDP – the value of environmental destruction/degradation/costs.	2

- (b) Using a business cycle diagram from 2010 to 2019, explain how cyclical unemployment may have changed during the economic boom (paragraph 1) and the recession (paragraph 2) in Brazil.

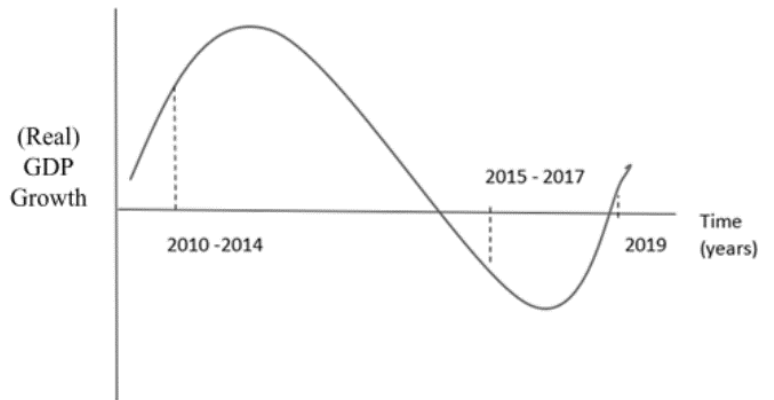
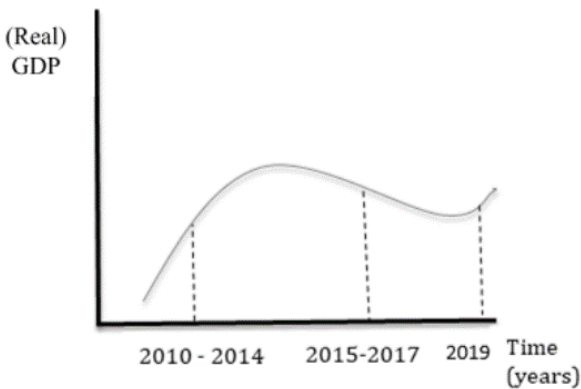
[4]

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 drawing a correctly labelled business cycle diagram identifying the economic boom during 2010 – 2014 and the recession during 2015 – 2017 and a recovery in 2019. OR For explaining that during the economic boom here is an increase in GDP/output/AD therefore cyclical unemployment should fall and during the recession there is a decrease in GDP/output/AD therefore cyclical unemployment should increase.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For drawing a correctly labelled business cycle diagram identifying the economic boom during 2010 – 2014 and the recession during 2015 – 2017 and a recovery in 2019. AND For explaining that during the economic boom there is an increase in GDP/output/AD therefore cyclical unemployment should fall and during the recession there is a decrease in GDP/output/AD therefore cyclical unemployment should increase.	

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

For a business cycle diagram, the vertical axis should be (Real) GDP, (Real) GDP growth/%, level of economic activity, (Real) output. The horizontal axis should be time and show dates from 2010–19. A title is not necessary.

If a student labels growth and shows a recession as positive the student can not be awarded full marks.



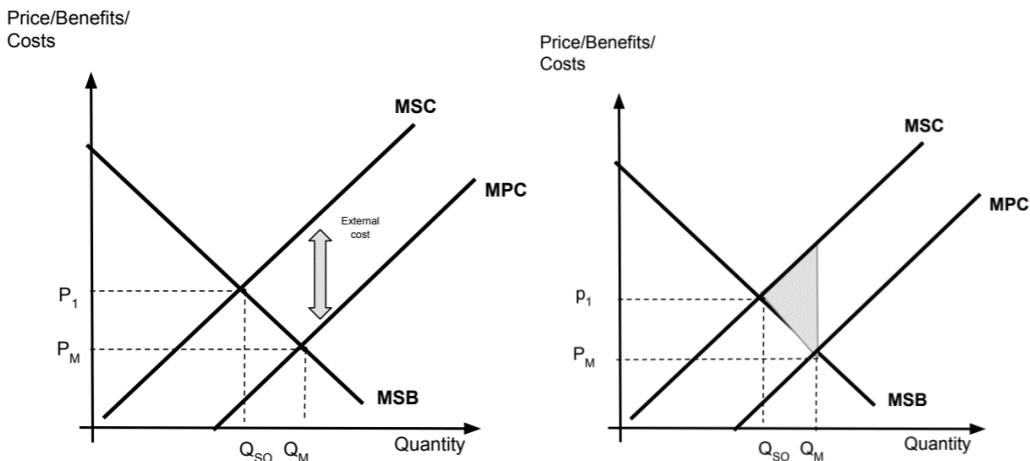
(c) Using an externalities diagram, explain how manufacturing companies in Brazil are contributing to market failure (paragraph 7).

[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
	<p>For drawing an accurate, labelled negative externalities of production diagram for the garment market showing:</p> <ul style="list-style-type: none"> • $MSC > MPC$ and identifying both the socially optimal quantity of output and the quantity of output determined by the market forces • the vertical distance between MSC and MPC labelled externality/external costs or the shaded welfare loss due to the negative externality of production. <p>OR</p> <p>For an explanation that the manufacturing companies are dumping wastewater into rivers, leading to water pollution which negatively impacts a 3rd party / creating external costs. therefore manufactured products are over-produced/over allocation of resources/greater than social optimal level output / create a welfare loss.</p>	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	<p>For drawing an accurate, labelled negative externalities of production diagram for the garment market showing:</p> <ul style="list-style-type: none"> • $MSC > MPC$ and identifying both the socially optimal quantity of output and the quantity of output determined by the market forces • the vertical distance between MSC and MPC labelled externality/external costs or the shaded welfare loss due to the negative externality of production. <p>AND</p> <p>For an explanation that the manufacturing companies are dumping wastewater into rivers, leading to water pollution which negatively impacts a 3rd party / creating external costs. therefore manufactured products are over-produced/over allocation of resources/greater than social optimal level output / create a welfare loss.</p>	

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

The y axis may be labelled price but could be costs or benefits and the x axis labelled quantity.



- (d) Using information from the text/data and your knowledge of economics, evaluate the impact of market-oriented policies on economic development in Brazil.

[8]

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

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	1–2
2	<i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3	<i>Relevant concepts are recognized and developed in depth.</i> There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

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:

- Definitions of:
 - Economic development.
 - Market-orientated policies.

Economic analysis, focusing on economic development, *may* include:

- AD/AS analysis.
- Poverty cycle.
- Lorenz curve.
- Externalities.

Positive outcomes on economic development *may* include:

- Labour reforms (raising retirement age), may increase the size of the labour force, which may increase LRAS as quantity of labour has increased. This may increase LRAS, leading to increased real GDP/potential output, which may increase job opportunities and increase income, for low income earners and encourage economic development (paragraph 6).
- Lowering business costs through labour reforms, making the hiring and firing of employees easier, may increase AS, leading to increased real GDP and a possibility of more employment opportunities for low income earners.
- Privatization may decrease public debt and government can redirect spending into economic development (paragraph 5).
- More multinationals/foreign investment – may lead to more jobs (paragraph 4).
- Trade liberalization may lead to lower prices for consumers, more choice (paragraph 5).

- May promote diversification and move away from commodities (paragraph 1).
- Encouraging more competition from MNCs may promote more efficiency (paragraph 5).

*Negative outcomes on economic development **may** include:*

- Spending on education in the past has been ineffective (paragraph 3).
- Labour reforms decreasing standard of living through lower job security (paragraph 4).
- Privatization may increase prices of goods and services / cause unemployment as private firms aim for efficiency and profit maximization (paragraph 5).
- Multinationals repatriate profits and may not employ local people (paragraph 5).
- Some industries may suffer from increased competition due to trade liberalization (paragraph 3).
- Concern of environment destruction and externalities (paragraph 7).
- Increasing the retirement age may decrease standards of living (paragraph 6).
- Inequalities may occur through market-orientated policies.
- Dual economy can develop as a result of market-orientated policies.

Any reasonable evaluation.
