

Markscheme

November 2023

Economics

Higher level

Paper 2

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Notes for examiners:

1. Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.
2. Whenever relevant, carry over marks must be awarded. If a candidate makes an error in calculation, but then uses the incorrect figure appropriately and accurately in later question parts, then the candidate may be fully rewarded. This is the “own-figure rule” and you should put OFR on the script where you are rewarding this.
3. A candidate may be penalized for not rounding correctly, failing to give answers correct to 2 dp or, in some cases, for not including the appropriate units. However, a candidate may only be penalized ONCE per question (not per part) for each type of error.

1. (a) (i) Define the term *import substitution* indicated in bold (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 imports are substituted with domestic production.	1
2	Accurate definition An understanding that it is a strategy/policy/trade protection [1] where domestic products replace/reduce imports OR promoting/protecting domestic production [1].	2

- (ii) List **two** components of the *Happy Planet Index* indicated in bold (Table 2). [2]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	Limited understanding Lists one component: <ul style="list-style-type: none"> • well-being/level of satisfaction • life expectancy • inequality • ecological footprint. 	1
2	Clear understanding Lists two components: <ul style="list-style-type: none"> • well-being/level of satisfaction • life expectancy • inequality • ecological footprint. OR Formula: life expectancy × experienced well-being × inequality of outcomes /ecological footprint.	2

- (b) (i) Using information from **Text A**, paragraph 3, **and** the Keynesian multiplier, calculate the increase in GDP due to the investment made by Intel. [3]

$$\text{Multiplier} = 1/(1 - 0.80) = 5 \quad [1]$$

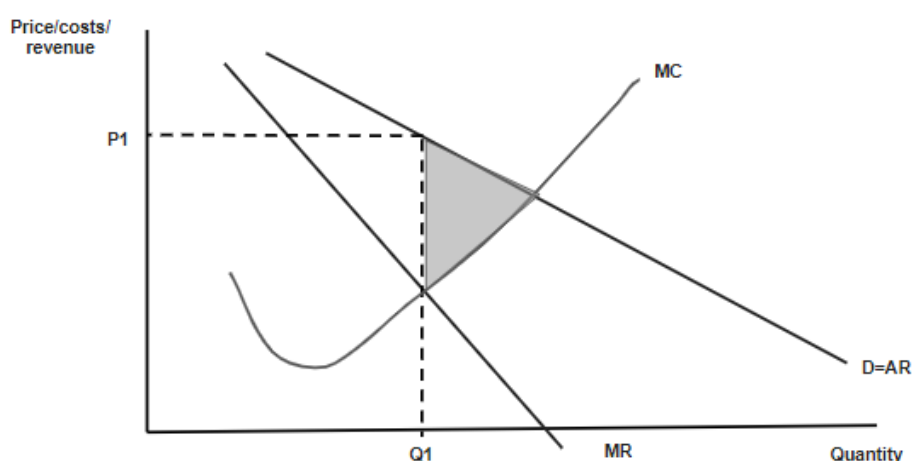
$$5 \times 300 \quad [1]$$

$$1500 \text{ million (US\$)} \quad [1]$$

Award [2] for correct answer, but no workings shown.

- (ii) Sketch a monopoly diagram **and** indicate the welfare loss if the state-owned monopoly in the telecommunication industry was maximizing profit (**Text A**, paragraph 2). [2]

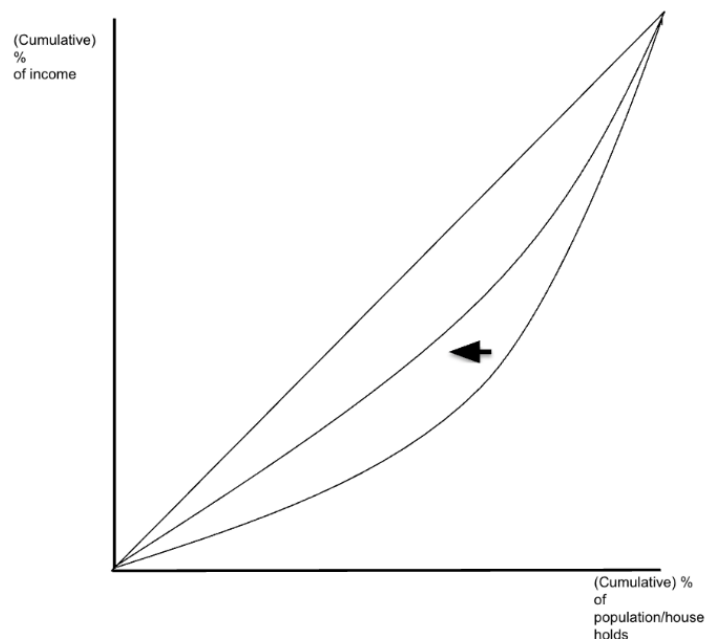
Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram BUT incorrect labelling.</i>	1
	<ul style="list-style-type: none"> For sketching a correct profit maximizing monopoly diagram with the corresponding price and quantity, without welfare loss indicated. For sketching a profit maximizing monopoly diagram showing the welfare loss with; <ul style="list-style-type: none"> one curve is mislabelled OR missing a label OR axes are not labelled or incorrectly labelled, but some indication is given of the variables being measured OR price and/or quantity profit maximization axis labels missing. 	
2	<i>There is a correct diagram AND correct labelling.</i>	2
	For sketching a correct profit maximizing monopoly diagram showing the welfare loss, and the corresponding price and quantity.	



Candidates who incorrectly label diagrams can be awarded a maximum of [1].

- (c) Using a Lorenz curve diagram, explain how introducing extensive transfer payments may have changed the income distribution in Costa Rica (**Text A**, paragraph 1). [4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct Lorenz curve diagram with appropriate labelling showing the curve shifting inwards towards the line of perfect equality. OR Explaining transfer payments are paid (by the government) to low-income families [1] therefore income distribution improves/becomes more equal [1].	
2	For a correct Lorenz curve diagram with appropriate labelling showing the curve shifting inwards towards the line of perfect equality. AND Explaining transfer payments are (paid by the government) to low-income families [1] therefore income distribution improves/becomes more equal [1].	3–4



For the vertical axis, the label may be cumulative percentage/share/proportion 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.

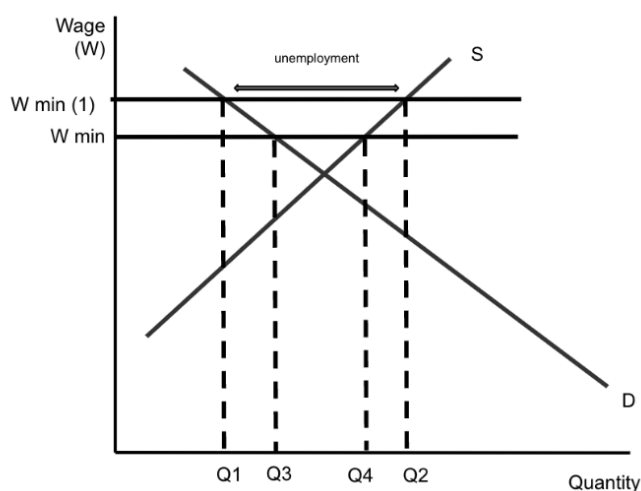
Candidates who incorrectly label diagrams can be awarded a maximum of [3].

- (d) Using a labour market diagram, explain the possible impact on Costa Rica's unemployment rate of increasing the minimum wage (**Text A**, paragraph 1).

[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 labour market diagram showing an increase in the minimum wage and corresponding quantity changes. OR For an explanation that increasing the minimum wage decreases the (quantity demanded) demand and increases the (quantity supplied) supply [1], therefore leading to an increase in the unemployment rate [1].	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For drawing a labour market diagram showing an increase in the minimum wage and corresponding quantity changes. AND For an explanation that increasing the minimum wage decreases the (quantity demanded) demand and increases the (quantity supplied) supply [1], therefore leading to an increase in the unemployment rate [1].	

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

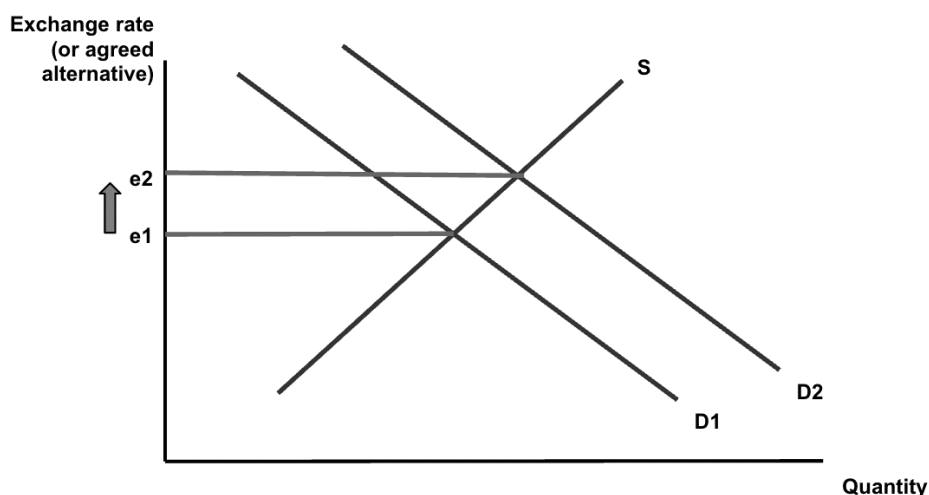


For a labour market diagram, the vertical axis may be labelled real wage, real wage rate, wage or price of labour, W or wage. The horizontal axis may be labelled quantity, Q, Quantity of labour/workers, labour. A title is not necessary. AS_L , AD_L , D_L and S_L is acceptable for curve labels.

- (e) Using an exchange rate diagram, explain how the change in the trade balance after 1997 may have changed the value of the colón (Costa Rica's currency) (**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 OR an accurate written response.</i>	1–2
	For a correct exchange rate diagram with appropriate labelling showing a shift in the demand curve to the right and an increase in the exchange rate. OR For an explanation that foreign countries demand for the colón increases as they need the currency to pay for the exports [1] resulting in an increase in the value of the currency/appreciation of the currency [1].	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct exchange rate diagram with appropriate labelling <i>showing</i> a shift in the demand curve to the right and an increase in the exchange rate. AND For an explanation that foreign countries demand for the colón increases as they need the currency to pay for the exports [1] resulting in an increase in the value of the currency/appreciation of the currency [1].	

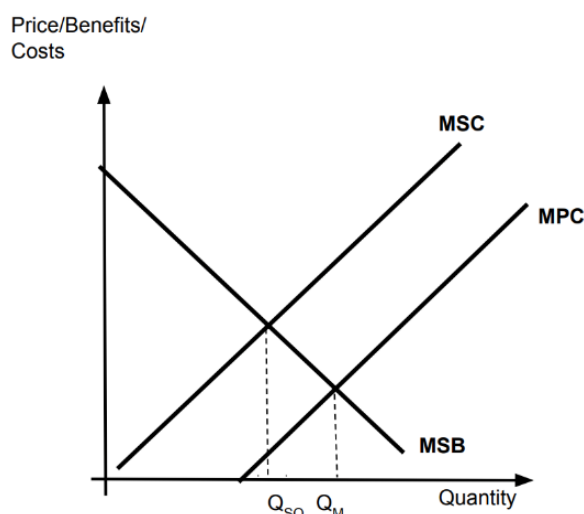


Candidates who incorrectly label diagrams can be awarded a maximum of [3]
For an exchange rate diagram, the vertical axis may be the exchange rate, value/price (*P*) of colón in terms of other currencies, other currency/colón or other currency per colón. The horizontal axis should be quantity, *Q* or quantity of Costa Rican currency/colones. A title is not necessary.

- (f) Using an externalities diagram, explain how the overuse of chemicals in the market for agriculture could result in market failure (**Text C**).

[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 a correct externality diagram showing the MPC below the MSC and allocative inefficiency ($Q_e >$ socially optimal).</p> <p>OR</p> <p>For an explanation that the production of agriculture causes a negative impact on third parties [1], plus any one of the following [1]</p> <ul style="list-style-type: none"> • a misallocation of resources • a situation where the market is operating at a level where $MSC > MSB$ • a situation where the market is operating at a level that is not socially efficient • $MSB \neq MSC$ • a situation where there is a welfare loss. 	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	<p>For a correct externality diagram showing the MPC below the MSC and allocative inefficiency ($Q_e >$ socially optimal).</p> <p>AND</p> <p>For an explanation that the production of agriculture causes a negative impact on third parties [1], plus any one of the following [1]</p> <ul style="list-style-type: none"> • a misallocation of resources • a situation where the market is operating at a level where $MSC > MSB$ • a situation where the market is operating at a level that is not socially efficient • $MSB \neq MSC$ • a situation where there is a welfare loss. 	



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

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

- (g) Using information from the texts/data and your knowledge of economics, evaluate the effectiveness of the economic policies implemented by Costa Rica's government in achieving economic growth **and** economic development.

[15]

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

Marks	Level descriptor
0	<ul style="list-style-type: none"> The work does not reach a standard described by the descriptors below.
1–3	<ul style="list-style-type: none"> The response indicates little understanding of the specific demands of the question. Economic theory is stated but it is not relevant. Economic terms are stated but they are not relevant. The response contains no evidence of synthesis or evaluation. The response contains no use of text/data.
4–6	<ul style="list-style-type: none"> The response indicates some understanding of the specific demands of the question. Relevant economic theory is described. Some relevant economic terms are included. The response contains evidence of superficial synthesis or evaluation. 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 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.

*Definitions **may** include:*

Economic growth

Economic development.

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

- Lorenz curve diagram
- AD/AS diagram
- Poverty cycle
- PPC
- Externality diagrams – positive production and negative production
- Export subsidy diagram
- Production subsidy diagram
- Income elasticity of demand – Engel’s curve
- Opportunity cost.

Possible policies may include a discussion on some of the following:

General arguments – policies effective:

- 4% consistent economic growth for 20 years (**Text A**, paragraph 1)
- Positive environment impact (**Text A**, paragraph 1, Happy Planet Index – **Table 2**)
- Higher value-added products lead to higher incomes and higher income elasticity (**Text A**, paragraph 4)
- Absolute Poverty rates decrease (**Text A**, paragraph 1)
- Become a global leader in conservation efforts (**Text A**, paragraph 1)
- Is one of the countries with the greatest biodiversity in the world (**Text C** paragraph 1).

General arguments - policies ineffective:

- Poverty has remained unchanged for a number of years (**Text B**, paragraph 1, **Table 2**)
- Income inequality remains high (**Text B**, paragraph 1, IHDI compared to HDI data, **Table 2**)
- Number of students not completing school (**Text B**, paragraph 1)
- Lack of jobs for low skilled workers having a disproportionate impact on youth and women (**Text B**, paragraph 1)
- Government unable to redistribute income effectively due to tax system (**Text B**, paragraph 1)
- Social programmes not reaching the very poor (**Text B**, paragraph 1)
- High Government debt (**Text B**, paragraph 2, **Table 1**)
- Continued focus on growth may inhibit the country’s ability to meet environmental objectives (**Text C**, paragraph 1)
- Although HPI is at rank 1 the index has decreased which means a deterioration (**Table 2**)
- Unemployment increasing, (**Table 1**, **Text A**, paragraph 2)
- Import substitution failed (**Text A** paragraph 1).

Export diversification

- Export subsidies for those in manufacturing (**Text A**, paragraph 4)
- However, firms may become reliant on the subsidies leading to long term allocative inefficiencies
- Jobs created in the manufacturing sector as a result. New skills learnt (**Text A**, paragraph 4)
- Focus on higher valued products and the manufacturing sector only created jobs for high-skill workers (**Text B** paragraph 1)
- Government subsidies unsustainable due to high government debt (**Text B** paragraph 2)
- Pollution from increased manufacturing sector (**Text C**, paragraph 1)
- Difficulty meeting carbon emissions reductions (**Text C**, paragraph 1).

Agricultural diversification to higher valued goods

- Subsidies for new technology and high valued goods allows farmers to become more productive, competitive and earn higher revenue (**Text A**, paragraph 4)
- However, farmers may become reliant on the subsidies leading to long term allocative inefficiencies (**Text A**, paragraph 4)
- New technology may replace workers – leading to unemployment. Structural unemployment as the industry changes (**Text A**, paragraph 4)
- Focus on higher valued products and the manufacturing sector only created jobs for high-skill workers (**Text B** paragraph 1)
- Government subsidies unsustainable due to high government debt (**Text B** paragraph 2)
- Overuse of land leading to sustainability issues (**Text C**, paragraph 1)
- Use of production subsidies for employing new technology to produce higher value-added products (**Text A**, paragraph 4).

Trade Liberalization

- Secured reliable framework for trade with US and a predictable environment, may encourage more exports, investment and increased business confidence, leading to increased AD resulting in economic growth (**Text A**, paragraph 2)
- However, overreliance on the US (**Text B**, paragraph 3)
- Monopolies dismantled (**Text A**, paragraph 2), may benefit consumers with a more competitive environment, lower prices, more choice, decreased welfare loss. As it is insurance and telecommunications, this may increase standard of living for some citizens
- General trade agreements - may increase variety of goods, lower prices - for consumers and producers, or increase exports (**Text A**, paragraph 2)
- Increased exports may threaten biodiversity (**Text C**, paragraph 1).

Foreign Direct Investment

- FDI allowed for the transition to higher valued products (from agriculture to manufacturing, possibly leading to higher incomes helping to break the poverty cycle (**Text A**, paragraph 3)
- Foreign firms trained domestic workers, increasing human capital, productivity which may help to break the poverty cycle/LRAS and PPC impact (**Text A**, paragraph 3)
- Multiplier impact of the investment (**Text A**, paragraph 3)
- Tax exemptions result in poor government revenue – contributed to poverty and government lacks resources to redistribute income (**Text B**, paragraph 1)
- FDI encouraged the focus on higher valued products and the manufacturing sector only created jobs for high-skill workers (**Text B**, paragraph 1)
- Limited/unsustainable due to higher costs and poor infrastructure (**Text B** paragraph 3)
- Increased FDI may threaten biodiversity (**Text C**, paragraph 1).

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

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

2. (a) (i) Define the term *human capital* 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 it is one of the following: <ul style="list-style-type: none"> • education level • knowledge • training level • skills level • experience level • abilities/capacities • good health in the labour force/that adds to labour productivity.	
2	<i>Accurate definition</i>	2
	An understanding that it is two of the following: <ul style="list-style-type: none"> • education level • knowledge • training level • skills level • experience level • abilities/capacities • good health in the labour force /that adds to labour productivity.	

- (ii) Define the term *asymmetric information* indicated in bold (**Text F**). [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 information is not equally shared.	
2	<i>Accurate definition</i>	2
	An understanding that in an (economic) transaction [1] , information is not equally shared [1] .	

- (b) (i) Using information from **Table 3**, calculate Cambodia's real GDP for 2019 (in US\$ PPP). [3]

Population: 16.49 million
Real GDP per capita: 4388.80

Real GDP = 16.49 million × 4388.80 = 72 371.31 million

[0] for incorrect answer with no or incorrect working.

[1] for valid workings, final answer is incorrect.

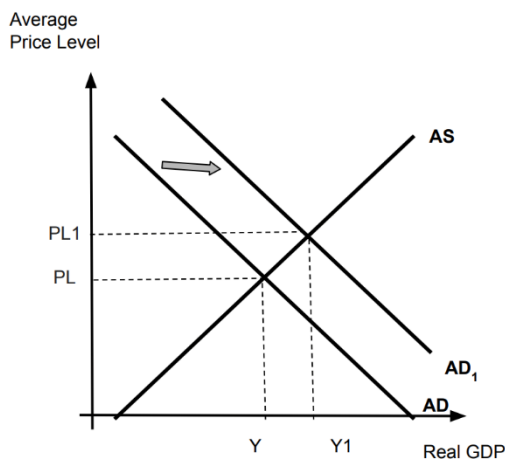
[2] for valid workings, final answer is correct but poorly formatted (eg missing millions) **OR** for correct answer, but no workings shown.

For **[3]** to be awarded, the response must provide valid working and include correct units.

- (ii) Sketch an AD/AS diagram to show the possible impact on Cambodia's economy of the change in consumer confidence (**Text D**, paragraph 1).

[2]

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 BUT incorrect labelling.</i>	1
	For drawing a correct AD/AS diagram showing increases in AD, APL and real GDP: <ul style="list-style-type: none"> • one curve is mislabeled or missing a label OR • axes are not labeled or incorrectly labelled, but some indication is given of the variables being measured OR • the change in APL and/or real GDP is not indicated. 	
2	<i>There is a correct diagram AND correct labelling.</i>	2
	For drawing a correct AD/AS diagram increases in AD, APL and real GDP.	



Candidates who incorrectly label diagrams can be awarded a maximum of [1].

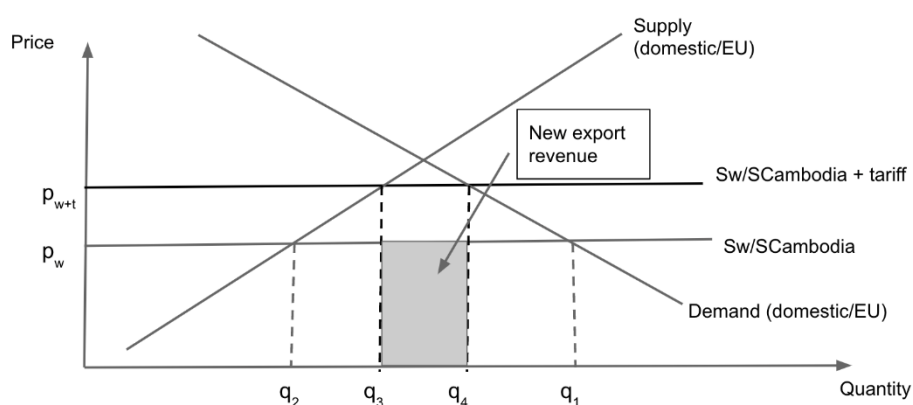
For a ADAS diagram, the vertical axis may be Average (General) Price Level, or Price Level. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. Any abbreviation of the previous terms is acceptable. A title is not necessary.

- (c) Using an international trade diagram for the EU, explain how the EU ending the preferential trade agreement with Cambodia might impact the export revenue of Cambodia's garment producers (**Text D**, paragraph 2).

[4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct international trade diagram with appropriate labelling showing a shift upwards of the world supply diagram [1] and an indication of the new export revenue identified on the diagram or annotations that are used to identify the new export revenue in the explanation [1]. OR Quantity exported (from Cambodia) / imported (into EU) will reduce due to the tariff [1], therefore export revenue will be reduced [1].	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct international trade diagram with appropriate labelling showing a shift upwards of the world supply diagram [1] and an indication of the new export revenue identified on the diagram or annotations that are used to identify the new export revenue in the explanation [1]. AND Quantity exported (from Cambodia) / imported (into EU) will reduce due to the tariff [1], therefore export revenue will be reduced [1].	

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

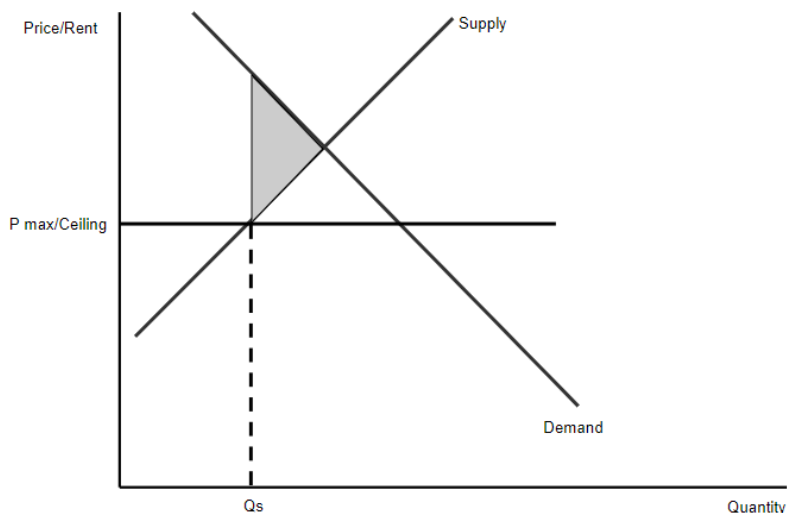


For an international trade diagram, the use of *P* and *Q* on the axes is sufficient for an international trade diagram. The world supply curve must be labelled *Sw*, *Sworld*, *Pw*, *PCambodia* or *Scambodia*. A title is not necessary.

- (d) Using a demand and supply diagram, explain the possible impact of price controls on rents for housing in cities on social/community surplus (**Text D**, 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 correct demand and supply diagram showing a maximum rental price below the equilibrium with quantity supplied indicated [1] and the resulting loss of community surplus [1]. OR Explaining that the price is set below equilibrium therefore reducing quantity supplied/creating a shortage [1] causing a loss in community surplus [1].	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct demand and supply diagram showing a maximum rental price below the equilibrium with quantity supplied indicated [1] and the resulting loss of community surplus [1]. AND Explaining that the price is set below equilibrium therefore reducing quantity supplied /creating a shortage [1] causing a loss in community surplus [1].	



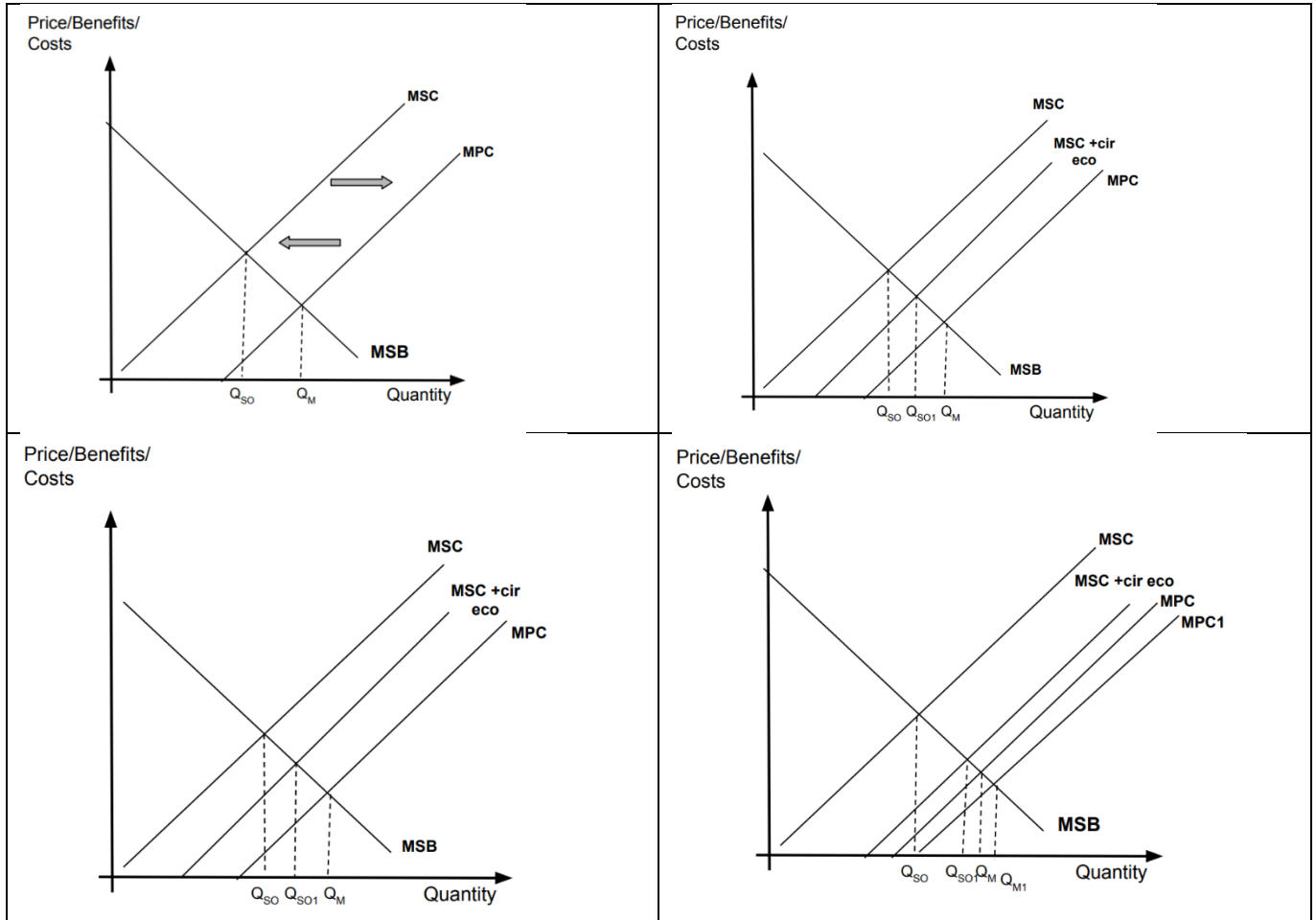
For a demand and supply diagram for the market for rentals, the vertical axis may be labelled price (P) or rent. The horizontal axis may be labelled Quantity (Q) or Quantity of rentals. A title is not necessary.

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

- (e) Using an externalities diagram, explain how the market failure in the garment industry could be reduced with adoption of the circular economy (**Text D**, paragraph 4).

[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 a correct externality diagram where the MSC is higher than the MPC and showing an MPC shift to the left OR the MSC shifting to the right, reducing or eliminating the externality. Shown by either quantity change or vertical distance between MPC and MSC.</p> <p>OR</p> <p><u>MPC shift to the left:</u> For an explanation that the circular economy may increase the private/production costs [1], thus, decreasing the welfare loss/external cost/bringing the market output closer to the social optimal [1].</p> <p>OR</p> <p><u>MSC shift to the right:</u> For an explanation that the circular economy may decrease the social cost [1], thus, decreasing the welfare loss/external cost/bringing the market output closer to the social optimal [1].</p> <p>OR</p> <p><u>BOTH MPC/MSC shift reducing the externality:</u> For an explanation that the circular economy may decrease both the social cost and private/production costs [1], thus decreasing the welfare loss/external cost/bringing the market output closer to the social optimal [1].</p>	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	<p>For a correct externality diagram where the MSC is higher than the MPC and showing an MPC shift to the left OR the MSC shifting to the right, reducing or eliminating the externality. Shown by either quantity change or vertical distance between MPC and MSC</p> <p>AND</p> <p><u>MPC shift to the left:</u> For an explanation that the circular economy may increase the private/production costs [1], thus, decreasing the welfare loss/external cost/bringing the market output closer to the social optimal [1].</p> <p>OR</p> <p><u>MSC shift to the right:</u> For an explanation that the circular economy may decrease the social cost [1], thus, decreasing the welfare loss/external cost/bringing the market output closer to the social optimal [1].</p> <p>OR</p> <p><u>BOTH MPC/MSC shift reducing the externality:</u> For an explanation that the circular economy may decrease both the social cost and private/production costs [1], thus decreasing the welfare loss/external cost/bringing the market output closer to the social optimal [1].</p>	



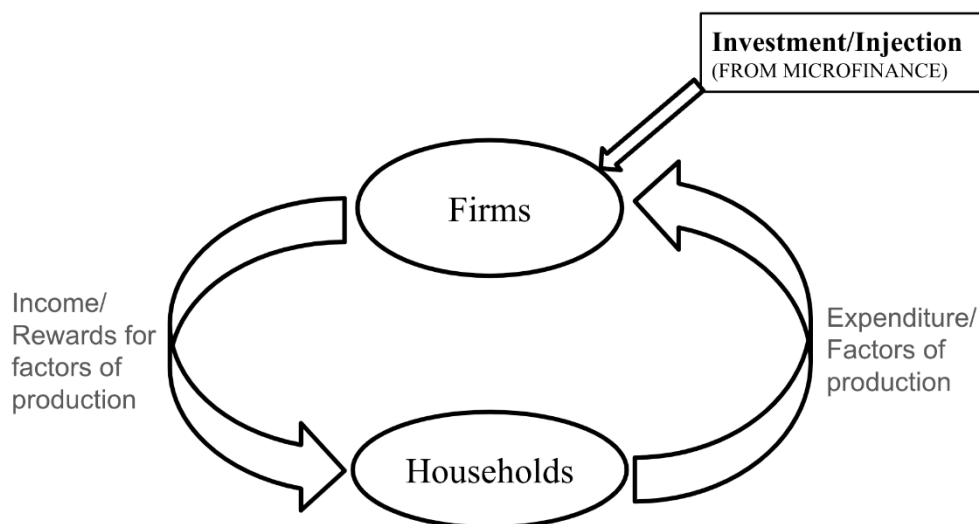
Candidates who incorrectly label diagrams can be awarded a maximum of [3].

For an externalities diagram, a title is not necessary.

- (f) Using a circular flow of income diagram, explain the impact increased microfinance could have on the Cambodian economy (**Text F**). [4]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is a correct diagram OR an accurate written response.</i>	1–2
	For a correct circular flow diagram with at least one full flow between household and firms [1] showing an investment/injection (from microfinance) [1]. OR For an explanation that microfinance could increase investment/injections into the circular flow [1] which may lead to an expansion of the economy/economic growth/increase in GDP [1].	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correct circular flow diagram with at least one full flow between household and firms [1] showing an investment/injection (from microfinance) [1]. AND For an explanation that microfinance could increase investment/injections into the circular flow [1] which may lead to an expansion of the economy/economic growth/increase in GDP [1].	

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



- (g) Using information from the texts/data and your knowledge of economics, evaluate the impact of social enterprise and microfinance on Cambodia's economic growth **and** economic development.

[15]

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

Marks	Level descriptor
0	<ul style="list-style-type: none"> The work does not reach a standard described by the descriptors below.
1–3	<ul style="list-style-type: none"> The response indicates little understanding of the specific demands of the question. Economic theory is stated but it is not relevant. Economic terms are stated but they are not relevant. The response contains no evidence of synthesis or evaluation. The response contains no use of text/data.
4–6	<ul style="list-style-type: none"> The response indicates some understanding of the specific demands of the question. Relevant economic theory is described. Some relevant economic terms are included. The response contains evidence of superficial synthesis or evaluation. 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 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.

Definitions **may** include:

- Economic growth
- Economic development
- Social enterprise
- Microfinance.

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

- PPC
- Lorenz curve
- AD/AS diagram
- Poverty cycle
- Circular flow
- Externality diagrams
- YED, Engel's curve
- Circular economy.

*Discussion **may** include analysis and evaluation based on some of the following:*

Social Enterprise:

- May provide opportunities for youth and help with high youth unemployment rate (**Text D**, paragraph 2)
- Increase human capital (**Text D**, paragraph 2)
- Decrease reliance on garment industry (**Text D**, paragraph 3)
- Hindered by tax laws (**Text E**, paragraph 3)
- Infrastructure may not support new enterprises (**Text D**, paragraph 5)
- Due to the environmental objectives of SEs this may help solve the market failure associated with garment industry (**Text D**, paragraph 4)
- SE objectives could support the growth of the ecotourism sector (**Text D**, paragraph 4, **Text E**, paragraph 2)
- Needed to fill the gap of withdrawn aid (**Text E**, paragraph 1)
- Addresses many development issues such as health, education, clean water, sanitation, (**Text E**, paragraph 2) (**Text 2** paragraph 2)
- Problems with funding and skilled labour limit success rate, could be an inefficient use of resources. **Text E**, paragraph 3)
- May stay in the informal sector, not contributing to tax revenue or access government support and workers lack protection in the informal sector (**Text E**, paragraph 3)
- May encourage more domestic investment (**Table 3**), less reliance on FDI.
- Success could be hindered by minimum wage increase (**Text D**, paragraph 3)
- Help solve current labour market needs (**Text D**, paragraph 5).

Microfinance:

- Helped when aid was withdrawn (**Text F**, paragraph 1)
- Provides a means of credit for rural poor (**Text D**, paragraph 2) which may help decrease inequalities
- Helps solve asymmetric information (**Text F**, paragraph 1)
- May encourage more domestic investment (**Table 3**), less reliance on FDI.
- Creates problems of household indebtedness for some (**Text F**, paragraph 1)
- May need government intervention (interest rates) which causes inefficiencies in the market and less access to loans. (**Text F**, paragraph 2)
- Microfinance could be used to fund SE. (**Text E**, paragraph 3)
- Positive relationship between number of loans and GDP per capita (**Text F**, paragraph 1, **Table 4**)
- Indebtedness may cause the poor to lose assets (**Text F**, paragraph 2)
- Microfinance could be used to support the development of the ecotourism industry and take advantage of the high-income elasticity of demand.
- lack of financial literacy and skill hampers level of impact of microfinance (**Text F**, paragraph 2) (**Table 3**)
- Increasing costs/interest rates may inhibit success or ability to access microfinance (**Text F**, paragraph 2).

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

*A maximum of [9] should be awarded if **only** economic growth **or** economic development or only considers social enterprise or microcredit.*
