

# Markscheme

**May 2025**

**Economics**

**Standard level**

**Paper 1**

© International Baccalaureate Organization 2025

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

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

© Organisation du Baccalauréat International 2025

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

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

© Organización del Bachillerato Internacional, 2025

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

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

1. (a) Explain how the existence of common access resources (common pool resources) may lead to market failure. [10]

Answers *may* include:

- Terminology: common access resources, market failure.
- Explanation: common access resources in terms of the following features: non-excludable, rivalrous, the tragedy of the commons, free-rider problem, difficulty to charge a price and how an overuse of common access resources leads to threats to sustainability.
- Diagram: negative externalities of production diagram; any other relevant diagram, including a negative externalities of consumption diagram if plausibly explained.

### Assessment Criteria

**Part (a) 10 marks**

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not reach a standard described by the descriptors below.</li> </ul>
1–2	<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.</li> </ul>
3–4	<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> </ul>
5–6	<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> </ul>
7–8	<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 mostly appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included and explained.</li> </ul>
9–10	<ul style="list-style-type: none"> <li>• The specific demands of the question are 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> </ul>

- (b) Using real-world examples, evaluate the view that indirect taxes are more effective than education in reducing the consumption of demerit goods. [15]

Answers **may** include:

- Terminology: indirect taxes, education, demerit goods.
- Explanation: of how indirect taxes may be more effective than education – indirect taxes can be used to reduce the consumption of demerit goods; the tax may be difficult to evade and so consumers are made to internalize the negative externalities; the drawbacks of relying on education such as requires government expenditure, effects may not be seen immediately, can be ignored.
- Diagram: negative externalities of consumption, impact of indirect taxes and education in reducing consumption of demerit goods.
- Synthesis (evaluate): consideration of how indirect taxes may be less effective than education in reducing the consumption of demerit goods; they may have a price inelastic demand, indirect taxes may be a heavier burden on the lower income groups of people; difficult to equate the tax to the value of the negative externalities and so may be too high or too low; explanation of why education may be more effective – education may target youth to reduce consumption of demerit goods, reduces imperfect information; overall evaluation.
- Real-world examples: of where indirect taxes and education programmes have been implemented to reduce the consumption of demerit goods.

*A maximum of [9] should be awarded if **only** indirect taxes **or** education are addressed.*

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

**N.B.** *It should be noted that terms, diagrams, theory and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.*

**Assessment Criteria**

**Part (b) 15 marks**

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not reach 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.</li> <li>• The response contains no evidence of synthesis or evaluation.</li> <li>• A real-world example(s) is identified but it is irrelevant.</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 superficial synthesis or evaluation.</li> <li>• A relevant real-world example(s) is identified.</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>• A relevant real-world example(s) is identified and partly developed in the context of the question.</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 mostly 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>• A relevant real-world example(s) is identified and developed in the context of the question.</li> </ul>
13–15	<ul style="list-style-type: none"> <li>• The specific demands of the question are 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>• A relevant real-world example(s) is identified and fully developed to support the argument.</li> </ul>

2. (a) Explain how the Lorenz curve diagram may be used to measure a change in the distribution of income.

[10]

Answers **may** include:

- Terminology: Lorenz curve, distribution of income.
- Explanation: of how the line of perfect income equality demonstrates how income is distributed equally across the country in terms of a cumulative 20% of the population earns a cumulative 20% of the country’s income; of how the Lorenz curve illustrates what percentage of a country’s income is earned by each quintile of the population. It illustrates how income is distributed throughout the population of a country, including all possible income distribution situations; of how the further the Lorenz curve is away from the line of perfect income equality, the closer the GINI coefficient is to 1, the more unequal is the distribution of income, and vice versa.
- Diagram: Lorenz curve showing changes in the distribution of income.

A maximum of [6] should be awarded if there is no explanation of “a change”.

**Assessment Criteria**

**Part (a) 10 marks**

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not reach a standard described by the descriptors below.</li> </ul>
1–2	<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.</li> </ul>
3–4	<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> </ul>
5–6	<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> </ul>
7–8	<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 mostly appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included and explained.</li> </ul>
9–10	<ul style="list-style-type: none"> <li>• The specific demands of the question are 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> </ul>

- (b) Using real-world examples, discuss the role of taxation in reducing income and wealth inequalities. **[15]**

*Answers **may** include:*

- Terminology: taxation (indirect and direct), income and wealth inequalities.
- Explanation: in terms of the role of direct taxation such as how the progressive tax structure can be used to redistribute income from the higher income groups to the lower income groups, how corporate and wealth taxes are used to reduce income and wealth inequalities; and the role of indirect taxation as an efficient way for governments to collect tax revenue and provide transfer payments for the lower income groups.
- Diagram: Lorenz curve, demand and supply diagram showing the impact of indirect taxation.
- Synthesis (discuss): limitations of direct taxation – disincentive to work and innovate, adverse impact on economic growth; limitations of indirect taxation – worsen inflationary pressures, increased cost of living, reduced access to goods and services, regressive impact as not related to income.
- Real-world examples: of direct and indirect taxation used to reduce income and wealth inequality.

*As the question is about reducing income and wealth inequalities, a maximum of **[12]** should be awarded if there is no mention of income and wealth.*

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

**N.B.** *It should be noted that terms, diagrams, theory and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.*

### Assessment Criteria

**Part (b) 15 marks**

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not reach 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.</li> <li>• The response contains no evidence of synthesis or evaluation.</li> <li>• A real-world example(s) is identified but it is irrelevant.</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 superficial synthesis or evaluation.</li> <li>• A relevant real-world example(s) is identified.</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>• A relevant real-world example(s) is identified and partly developed in the context of the question.</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 mostly 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>• A relevant real-world example(s) is identified and developed in the context of the question.</li> </ul>
13–15	<ul style="list-style-type: none"> <li>• The specific demands of the question are 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>• A relevant real-world example(s) is identified and fully developed to support the argument.</li> </ul>

3. (a) Explain how dependence on primary sector production may act as a barrier to economic growth. **[10]**

Answers **may** include:

- Terminology: primary sector production, economic growth.
- Explanation: of how, when there are changes in demand and/or supply, the prices of primary products fluctuate more widely than the prices of manufactured goods because they tend to have low PEDs and low PESs; this has implications for farmers' incomes, agricultural investment, employment and wages in the primary sector, export earnings, the balance of payments and government revenues; primary products also tend to have a lower income elasticity of demand than manufactured goods; the problems of overspecialization; the supply side problems of climate change leading to freak weather patterns; how the above impact negatively on economic growth.
- Diagram: use of any relevant diagram such as a demand and supply diagram showing price volatility of primary products or use of an AD/AS diagram.

**Assessment Criteria**

**Part (a) 10 marks**

Marks	Level descriptor
<b>0</b>	<ul style="list-style-type: none"> <li>• The work does not reach a standard described by the descriptors below.</li> </ul>
<b>1–2</b>	<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.</li> </ul>
<b>3–4</b>	<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> </ul>
<b>5–6</b>	<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> </ul>
<b>7–8</b>	<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 mostly appropriately.</li> <li>• Where appropriate, relevant diagram(s) are included and explained.</li> </ul>
<b>9–10</b>	<ul style="list-style-type: none"> <li>• The specific demands of the question are 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> </ul>

- (b) Using real-world examples, evaluate the view that economic growth **and** economic development are best achieved through the use of market-based policies.

**[15]**

*Answers may include:*

- Terminology: economic growth, economic development, market-based policies.
- Explanation: of the view in terms of the effectiveness of such policies as trade liberalization, privatization and deregulation in promoting economic growth and development.
- Diagram: any relevant diagram such as an AD/AS or PPC diagram.
- Synthesis (evaluate): a challenge to the view in terms of the drawbacks of market-based policies and the advantages of interventionist policies involving redistribution of income and government provision of merit goods and infrastructure development; consideration of FDI, foreign aid, multilateral development assistance, institutional change; consideration of “best”.
- Real-world examples: of countries which have used market-based or interventionist policies to achieve economic growth and development.

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

*As the question requires an evaluation of “best achieved”, a maximum of [12] should be awarded where no other policies are considered, as the question would not be fully addressed. For [13] or more, the synthesis and evaluation must be effective and balanced and there must be at least some mention of alternate policies.*

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

**N.B.** *It should be noted that terms, diagrams, theory and examples that have already been given in part (a), and then referred to in part (b), should be rewarded.*

**Assessment Criteria**

**Part (b) 15 marks**

Marks	Level descriptor
0	<ul style="list-style-type: none"> <li>• The work does not reach 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.</li> <li>• The response contains no evidence of synthesis or evaluation.</li> <li>• A real-world example(s) is identified but it is irrelevant.</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 superficial synthesis or evaluation.</li> <li>• A relevant real-world example(s) is identified.</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>• A relevant real-world example(s) is identified and partly developed in the context of the question.</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 mostly 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>• A relevant real-world example(s) is identified and developed in the context of the question.</li> </ul>
13–15	<ul style="list-style-type: none"> <li>• The specific demands of the question are 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>• A relevant real-world example(s) is identified and fully developed to support the argument.</li> </ul>