

Markscheme

May 2025

Economics

Higher 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 why the price elasticity of supply (PES) for primary commodities is generally lower than the PES for manufactured products. [10]

Answers *may* include:

- Terminology: PES, primary commodities, manufactured products.
- Explanation: of the PES for primary commodities being more inelastic (lower) than the PES for manufactured products in terms of factors such as the time period, the rate at which costs increase, mobility of factors of production, ability to store and unused capacity.
- Diagram: diagram(s) showing relatively elastic and inelastic supply curves.

Assessment Criteria

Part (a) 10 marks

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

- (b) Using real-world examples, discuss the consequences for markets **and** stakeholders of an increase in indirect tax on a good or service.

[15]

Answers may include:

- Terminology: market, stakeholder, indirect tax.
- Explanation: that the tax will shift the supply curve to the left, increase the price and reduce the quantity demanded; explanation of the possible consequences for consumers, producers, workers, the government, markets and society as a whole.
- Diagram: a D&S diagram showing the impact of a shift of the supply curve to the left; the effect of the tax on consumers and producers.
- Synthesis (discuss): the importance of PED and PES, the impact on market signals, resource allocation and allocative efficiency; whether the tax is specific or ad valorem; the extent of the increase in the tax; the regressive nature of the tax; possible macroeconomic consequences.
- Examples: real-world examples of indirect taxes being increased or imposed on goods or services.

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"> • 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. • A real-world example(s) is identified but it is irrelevant.
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. • A relevant real-world example(s) is identified.
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. • A relevant real-world example(s) is identified and partly developed in the context of the question.
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 mostly appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • A relevant real-world example(s) is identified and developed in the context of the question.
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. • A relevant real-world example(s) is identified and fully developed to support the argument.

2. (a) Explain how the Lorenz curve **and** the Gini coefficient (index) may be used to measure the degree of income inequality in a country. **[10]**

Answers **may** include:

- Terminology: income inequality, Lorenz curve, Gini Coefficient.
- Explanation: use of the Lorenz curve diagram to explain the degree of income inequality in an economy and an explanation of the Gini coefficient as a numerical summary measure of the information contained in the Lorenz curve.
- Diagram: a Lorenz curve diagram.

A maximum of **[6]** may be awarded if **only** the Lorenz curve **or** the Gini coefficient is explained.

Assessment Criteria

Part (a) 10 marks

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

- (b) Using real-world examples, evaluate the view that the most effective way that a government can reduce inequality is through a system of progressive direct taxation. **[15]**

Answers **may** include:

- Terminology: inequality, progressive tax, direct taxation.
- Explanation: of the view in terms of the impact of progressive direct taxes on personal incomes, corporate incomes and wealth and the scope provided for a government to redistribute the revenues gained to the less well-off.
- Diagram: use of a Lorenz curve diagram.
- Synthesis (evaluate): a challenge to the view in terms of the drawbacks of progressive taxation such as the possible disincentive effects on work, saving, investment and efficiency; the counter-arguments to the disincentive effects; consideration of other policies such as investment in human capital, transfer payments, targeted spending on goods and services, a universal basic income, policies to reduce discrimination and minimum wages; consideration of “most effective”.
- Examples: real-world examples of direct progressive taxation being used to lessen inequality, or other methods being used.

*As the question requires an evaluation of “most effective”, 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 at least be some mention of alternative 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"> • 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. • A real-world example(s) is identified but it is irrelevant.
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. • A relevant real-world example(s) is identified.
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. • A relevant real-world example(s) is identified and partly developed in the context of the question.
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 mostly appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • A relevant real-world example(s) is identified and developed in the context of the question.
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. • A relevant real-world example(s) is identified and fully developed to support the argument.

3. (a) Explain **two** implications of a persistent deficit on the current account of a country's balance of payments. [10]

Answers **may** include:

- Terminology: balance of payments, current account of the balance of payments, deficit on the current account.
- Explanation: of **any two** implications such as for exchanges rates, interest rates, foreign ownership of domestic assets, debt, credit ratings, demand management, economic growth.
- Diagram: appropriate use of any relevant diagram such as an AD/AS diagram or an exchange rate diagram.

A maximum of **[6]** may be awarded if **only one** implication is explained.

Assessment Criteria

Part (a) 10 marks

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

- (b) Using real-world examples, evaluate the view that a country's deficit on the current account of its balance of payments can best be corrected through a fall in its exchange rate.

[15]

Answers **may** include:

- Terminology: balance of payments, current account of the balance of payments, deficit on the current account, exchange rate.
- Explanation: of the view in terms of how depreciation (an expenditure switching policy) can be used to correct a current account deficit via its effect on the relative price of exports (lower) and imports (higher) which should increase the demand for exports and reduce the demand for imports.
- Diagram: appropriate use of any relevant diagram such as an exchange rate diagram, an AD/AS diagram, a J curve diagram or a tariff diagram.
- Synthesis (evaluate): a challenge to the view in terms of the drawbacks of depreciation such as higher import prices causing cost push inflation and the importance of the Marshall-Lerner condition and the J-curve effect; the possibility of competitive depreciations; economic conditions in other countries; consideration of the effectiveness of other policies such as expenditure reducing, trade protection and supply-side policies; consideration of the word "best".
- Examples: real-world examples of countries using exchange rate depreciation to correct a current account deficit or other methods.

As the question requires an evaluation of "best", 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 at least be some mention of alternative 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"> • 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. • A real-world example(s) is identified but it is irrelevant.
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. • A relevant real-world example(s) is identified.
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. • A relevant real-world example(s) is identified and partly developed in the context of the question.
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 mostly appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • A relevant real-world example(s) is identified and developed in the context of the question.
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. • A relevant real-world example(s) is identified and fully developed to support the argument.