

Markscheme

November 2025

Economics

Higher level and Standard level

Paper 2

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Notes for examiners:

1. Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

2. Whenever relevant, carry over marks must be awarded. If a candidate makes an error in calculation, but then uses the incorrect figure appropriately and accurately in later question parts or within the question, then the candidate may be fully rewarded. This is the “own-figure rule” and you should put OFR on the script where you are rewarding this.

3. A candidate may be penalized for not rounding correctly, failing to give answers correct to 2 dp or, in some cases, for not including the appropriate units. However, a candidate may only be penalized ONCE per script for each type of error.

1. (a) (i) Define the term *reserve assets* indicated in bold (**Text A**, paragraph 3). **[2]**

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	
1	<i>Vague definition</i>	1
	The idea that they are one of the following: <ul style="list-style-type: none"> • Foreign currencies (and precious metals) held by central banks/governments • May be used to maintain or influence the exchange rate • May be used to finance external debt or the balance of payments • Appear in the financial account of the balance of payments. 	
2	<i>Accurate definition</i>	2
	An understanding that they are two of the following: <ul style="list-style-type: none"> • Foreign currencies (and precious metals) held by central banks/governments • May be used to maintain or influence the exchange rate • May be used to finance external debt or the balance of payments • Appear in the financial account of the balance of payments. 	

- (ii) Define the term *inflation* indicated in bold (**Text A**, 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>	1
	The idea that it is prices increasing.	
2	<i>Accurate definition</i>	2
	An understanding that it is a sustained/persistent increase in the (average/general) price level.	

- (b) (i) Using the data provided in **Table 3**, calculate the GDP price deflator for 2022. [2]

$$\text{Real GDP} = \frac{631.31}{598.31} \times 100 \quad [1]$$

$$105.52 \quad [1]$$

An answer of 105.52 without working is sufficient for [1].

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

For full marks to be awarded, the response must provide valid working.

- (ii) Using your answer to part (b)(i), determine the percentage change in prices from the base year. [1]

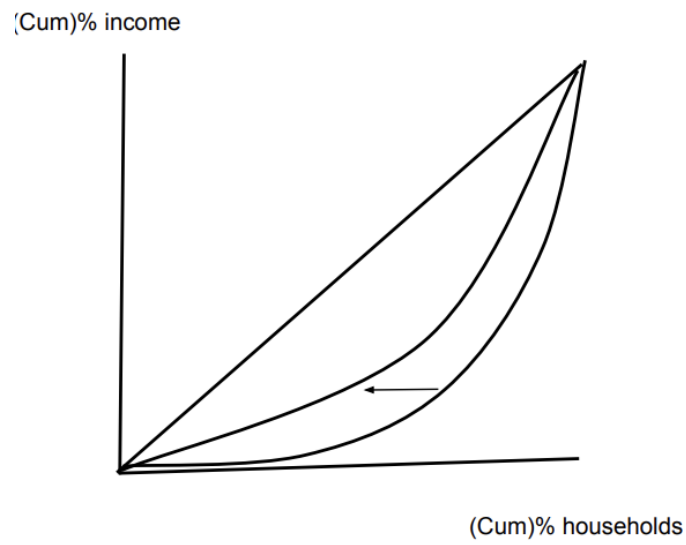
5.52 (%)

An answer of 5.52 without working or units is sufficient for [1]

OFR applies

- (iii) Sketch a Lorenz curve to show how the change in the “level of income on which no income tax is paid” may affect Argentina’s income distribution (**Text B**, paragraph 3). [2]

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is EITHER an incorrectly labelled diagram with an inward shift OR a correctly labelled diagram with an incorrect shift.</i>	1
	For sketching a correct Lorenz curve showing an inward shift, but with incorrect labels OR for sketching a Lorenz curve with correct labels but with an incorrect outward shift.	
2	<i>There is a correct diagram AND correct labelling.</i>	2
	For sketching a correctly labelled Lorenz curve showing an inward shift.	

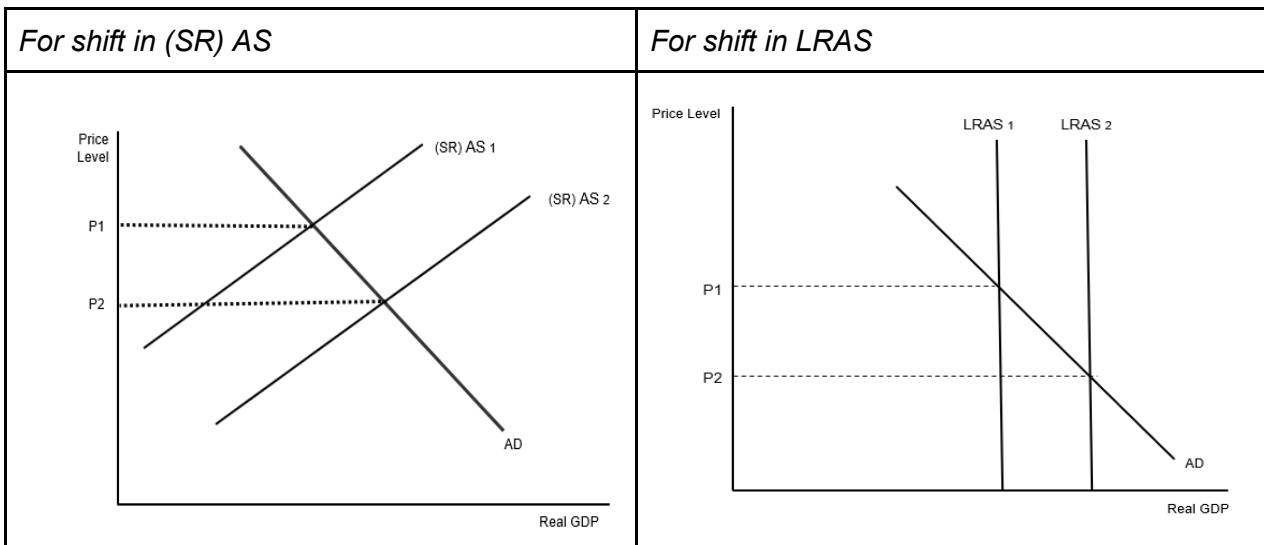


For the vertical axis, the label may be cumulative percentage of income or percentage of income (GDP and GNI are valid alternatives to income, but wealth is not acceptable). For the horizontal axis, the label may be cumulative percentage of population/households or percentage of population/households.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

(c) Using an AD/AS diagram, explain how privatization might affect inflation (Text B, paragraph 1).

[4]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram OR an accurate written response.	1–2
	For a correct AD/AS diagram showing an increase in (SR)AS or in LRAS and a lower price level OR Explaining that privatization is expected to encourage businesses to increase productivity/efficiency, which will result in a lower price level/inflation because (one of the following): <ul style="list-style-type: none"> • (for a shift in (SR)AS) there are lower (production) costs OR <ul style="list-style-type: none"> • (for a shift in LRAS) there is increased productive capacity/potential output/quality or quantity of resources. 	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correct AD/AS diagram showing an increase in (SR)AS or in LRAS and a lower price level AND Explaining that privatization is expected to encourage businesses to increase productivity/efficiency, which will result in a lower price level/inflation because (one of the following): <ul style="list-style-type: none"> • (for a shift in (SR)AS) there are lower (production) costs OR <ul style="list-style-type: none"> • (for a shift in LRAS) there is increased productive capacity/potential output/quality or quantity of resources. 	



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

Additionally, the diagram may show a shift of **both** SRAS and LRAS to the right. If it is correctly drawn and labelled, this approach is acceptable. VAM.

- (d) Using a demand and supply diagram, explain how eliminating the transport subsidies may impact transport producers' revenue (which includes payments by the government) (Text B, paragraph 1). [4]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram OR an accurate written response.	1–2
	For a correct demand and supply diagram showing a decrease in supply after the subsidy is removed and indicating the change in producer revenue (which may be delineated in the explanation instead of being shaded/indicated on the diagram). OR Explaining that removing the subsidy means producers will not receive an additional payment (from the government on top of the market price). Therefore, they will produce a lower output (at the market price) resulting in reduced revenue.	
2	There is a correct diagram AND an accurate written response.	3-4
	For a correct demand and supply diagram showing a decrease in supply after the subsidy is removed and indicating the change in producer revenue (which may be delineated in the explanation instead of being shaded/indicated on the diagram). AND Explaining that removing the subsidy means producers will not receive an additional payment (from the government on top of the market price). Therefore, they will produce a lower output (at the market price) resulting in reduced revenue.	

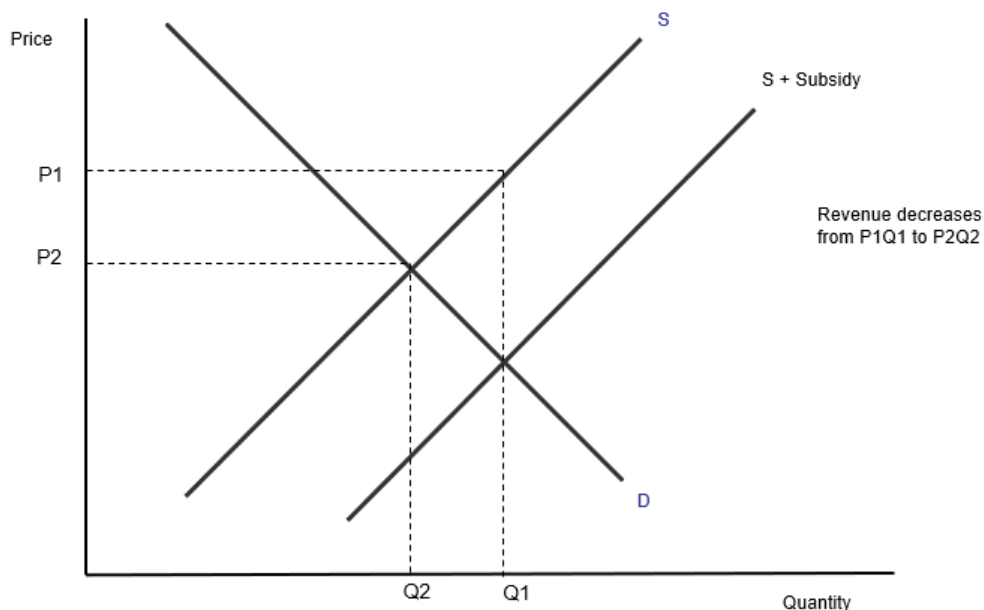
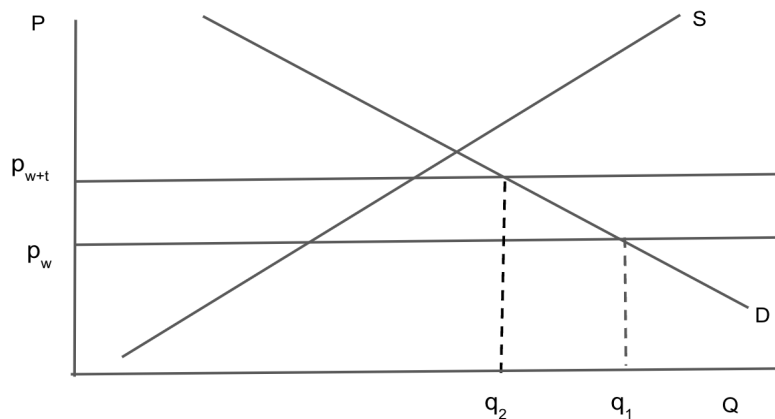


Diagram labels/annotations should be sufficient to show a change in producers' revenue for full marks.

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.

- (e) Using an international trade diagram, explain how the quantity of laptops consumed will change due to the introduction of a tariff (**Text B**, paragraph 3). **[4]**

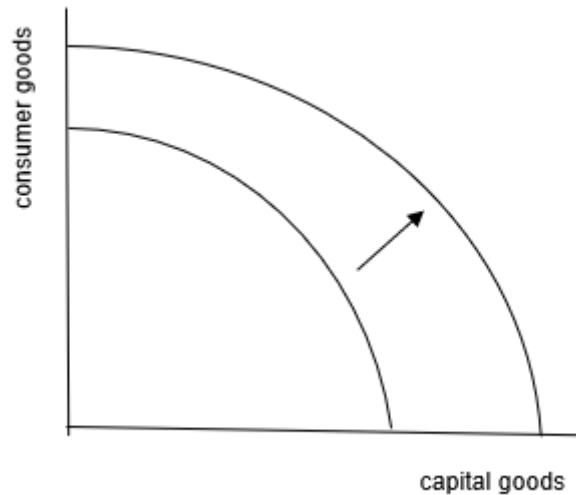
Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram OR an accurate written response.	1–2
	For a correct tariff diagram showing an upward shift in world supply/price line and a decrease in the quantity demanded of laptops (which may be delineated in the explanation instead of being indicated on the diagram). OR Explaining that introducing a tariff will increase the price, therefore decreasing the quantity demanded of laptops.	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correct tariff diagram showing an upward shift in world supply/price line and a decrease in the quantity demanded of laptops (which may be delineated in the explanation instead of being indicated on the diagram). AND Explaining that introducing a tariff will increase the price, therefore decreasing the quantity demanded of laptops.	



The use of P and Q on the axes is sufficient for an international trade diagram. The world price line may be labelled as S(World), SW, Pworld, PW, or any similar label (on either end of the line) indicating the horizontal line is the world price/supply. However, if the Ws label is used, the price labels should also be added on the left. A title is not necessary.

- (f) Using a production possibilities curve (PPC) diagram, explain how following the experts' recommendation about education may impact Argentina's production possibilities **(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
	For a correct PPC diagram showing a shift outward. OR Explaining that improving education increases the quality and/or quantity of labour and therefore increases production possibilities/ productive potential /productive capacity.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3-4
	For a correct PPC diagram showing a shift outward. AND Explaining that improving education increases the quality and/or quantity of labour and therefore increases production possibilities/ productive potential/productive capacity.	



For a PPC, the axes could be two alternative products, one on each axis, e.g. Good A & Good B or Schools & Motor Cars; or two groups of products, e.g. Consumer Goods and Producer Goods

- (g) Using information from the text/data and your knowledge of economics, discuss the consequences on Argentina’s economy of a depreciation of the Argentine peso (ARS). **[15]**

Command term

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

Key terminology may include:

- depreciation
- economic growth
- economic development
- inflation
- employment
- balance of payments
- equality
- economic well-being.

Economic models to support analysis may include:

- a foreign exchange diagram
- an AD/AS diagram
- a poverty cycle
- a Lorenz curve diagram

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

Possible consequences may include an analysis and a discussion on some of the following:

Positive impact:

- Net exports may increase and are a significant part of GDP (**Text A**, para 1; **Table 3**) leading to **economic growth**.
- The export industry may increase employment opportunities, such as agriculture which contributes to a large portion of the **employment** in Argentina (**Text A**, para 1).
- Increased exports support the accumulation of reserve assets (**Text A**, para 1).
- Imports may decrease as consumers substitute lower priced domestic goods leading to economic growth and potential increases in employment.
- Supports current account balance (**Table 3**), and therefore **balance of payment objectives**.
- Helps meet requirements for continued support from the IMF (**Text B**, para 4) for further **economic growth**.
- New government claimed it was needed to help achieve long term price stability and promote a **healthier economy** (**Text B**, para 2).
- Less reserve assets concerns leading possibly to more FDI and **economic growth** (**Text A**, para 3).
- Avoid problems associated with overvalued exchange rate (**Text A**, para 3).

Negative impact:

- Depreciation may cause further **inflation** due to increased imported costs of production (**Text B**, para 2) and increased exports.
- Further inflation or depreciation may increase uncertainty for businesses, consumer and producer confidence, thus impeding **economic growth** (**Text A**, para 5).
- Further inflation from depreciation may cause further decline in real wages (**Text A**, para 5)

- Poverty rates may increase initially (**Text B**, para 2) leading to worsening **income inequality** and **reduced economic well-being**.
- Increases in poverty rates will require increases in government spending (**Text B**, para 2) further fuelling inflationary pressures.
- Depreciation may make it more difficult to service the external debt as the cost of buying foreign currency increases, lowering government spending in other areas (**Table 3**)
- **Living standards** may decrease in the short term (**Text B**, para 2).

Students may approach the discussion through a **stakeholder analysis**.

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 meet 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 or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
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 relevant but 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 thoroughly 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.

2. (a) (i) Define the term *price inelastic* 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"> • demand/supply/quantity is not responsive to changes in price • price elasticity (of demand/supply) is less than one. 	
2	<i>Accurate definition</i>	2
	An understanding that it is one of the following: <ul style="list-style-type: none"> • when a change in the price of a good leads to a proportionately/relatively smaller change in the quantity demanded/supplied • when price elasticity (of demand/supply), which measures the ratio of the relative change in quantity to the relative change in price*, is less than one. *Note: this can be expressed by using the formula.	

(ii) Define the term *portfolio investment* indicated in bold (**Table 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>	1
	The idea that it is one of the following: <ul style="list-style-type: none"> • buying of financial assets / shares / bonds • depositing/holding savings in banks/financial institutions • to gain a profit/return/interest • in the financial account (of the balance of payments). 	
2	<i>Accurate definition</i>	2
	An understanding that it is the buying of financial assets / shares/ bonds OR depositing/holding savings in banks/financial institutions PLUS one of the following: <ul style="list-style-type: none"> • to gain a profit/return/interest • in the financial account (of the balance of payments). 	

(b) (i) Calculate the expected percentage change in the quantity of copper demanded if the price of a pound (lb) of copper falls from USD 5.00 to USD 4.60 (**Text E**, paragraph 1). [2]

$$\% \text{ change in price} = - \frac{0.4 \times 100}{5} = - 8 \quad [1]$$

$$-0.18 = \frac{x}{-8}$$

$$\% \text{ change in quantity} = - 0.18 \times -8$$

$$1.44 (\%) \quad [1]$$

Any valid working should be rewarded with [1]

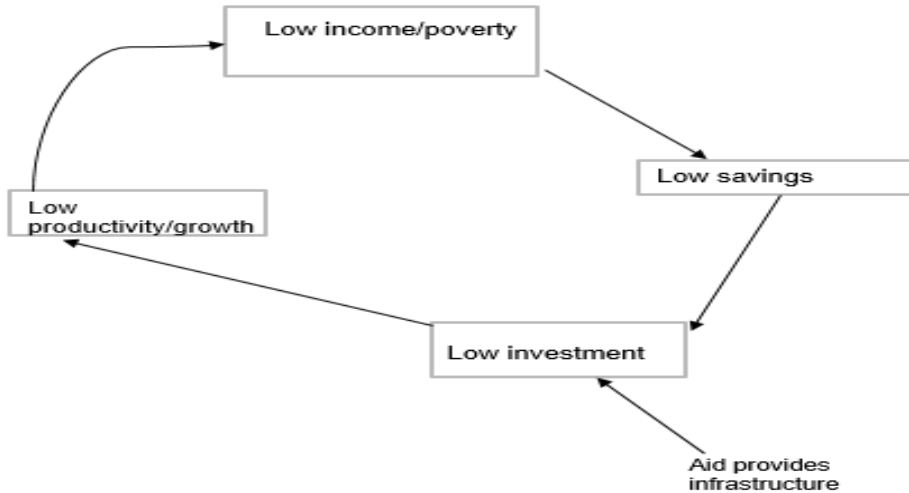
An answer of 1.44 without working is sufficient for [1]

For full marks to be awarded, the response must provide valid working (Note: It is not necessary to show minus signs in the working.)

- (ii) Determine whether revenue earned from copper exports will rise, fall or stay the same after the reduction in price. [1]

Fall

- (iii) Sketch a poverty cycle diagram and indicate where foreign aid that provides infrastructure would enter the cycle (**Text D**, paragraph 4). [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 or omissions</i>	1
	For sketching a correct poverty cycle diagram OR indicating how provision of infrastructure increases investment.	
2	<i>There is a correct diagram AND correct labelling.</i>	2
	For sketching a correct poverty cycle diagram AND indicating how provision of infrastructure increases investment.	

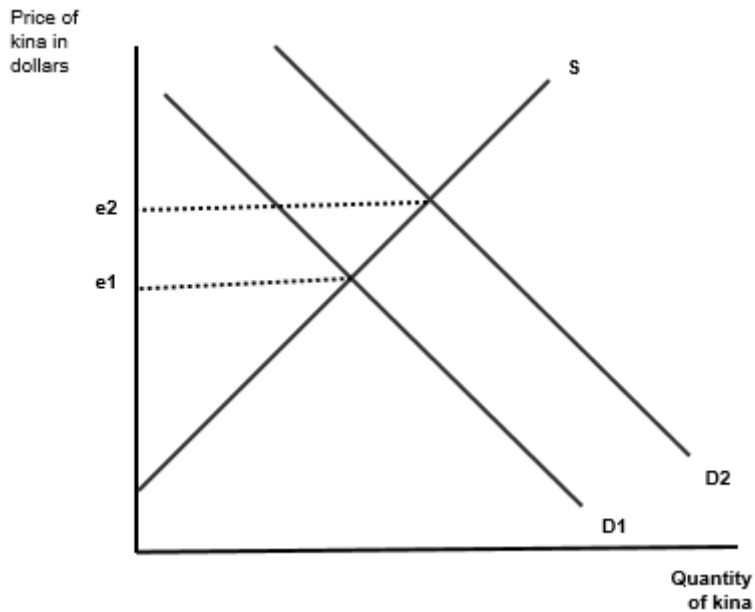
A poverty cycle diagram should show a linked combination of factors that perpetuate poverty, starting/ending with 'low income/wages/growth or poverty' and including 'low investment' or 'low capital'. The increase in infrastructure/foreign aid can impact the "investment" box or the connecting line before or after the box. A title is not necessary.

Alternatively, the poverty cycle diagram could show the effect of improved education/health care on productivity/human capital (because the infrastructure might improve productivity through, for example, the construction of hospitals/schools). VAM.

(c) Using an exchange rate diagram, explain how the central bank in PNG prevented the depreciation of the kina (PGK) (**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 correctly labelled exchange rate diagram, with demand shifting right and the exchange rate rising OR Explaining that when the central bank sold reserve assets and bought kina (which increased demand), the exchange rate rose/appreciated.	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled exchange rate diagram, with demand shifting right and the exchange rate rising AND Explaining that when the central bank sold reserve assets and bought kina (which increased demand), the exchange rate rose/appreciated.	



The vertical axis may be labelled:

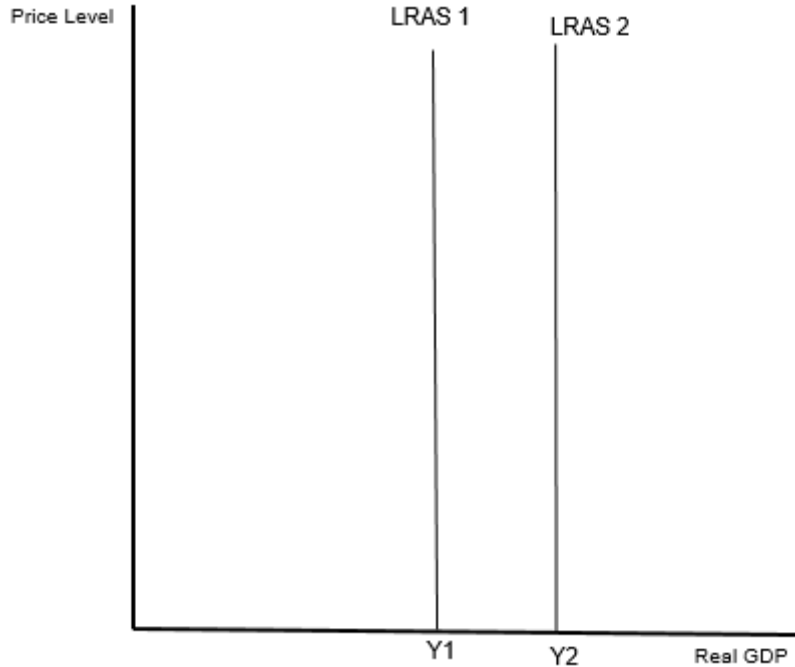
- exchange rate
- price or value of PGK (kina) in another currency
- other currency/PGK (kina)
- other currency per PGK (kina)

The horizontal axis may be quantity or quantity of kina. All abbreviations are acceptable. A title is not necessary.

N.B. Additionally, the diagram may show that there is downward pressure on the exchange rate (due to either rising supply or falling demand), and the depreciation is reversed by the central bank action causing demand to shift to the right. This approach can be fully rewarded if correctly explained. VAM.

(d) Using an AD/AS diagram, explain the impact of investment in human capital on potential (full employment) output in PNG (**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
	For a correctly labelled AD/AS diagram, with the LRAS curve shifting outwards OR Explaining that improved human capital raises the quality / quantity of factors of production / productivity / efficiency, which increases one of the following: <ul style="list-style-type: none"> • potential output. • full employment level of output. 	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	For a correctly labelled AD/AS diagram, with the LRAS curve shifting outwards AND Explaining that improved human capital raises the quality / quantity of factors of production / productivity / efficiency, which increases one of the following: <ul style="list-style-type: none"> • potential output. • full employment level of output. 	

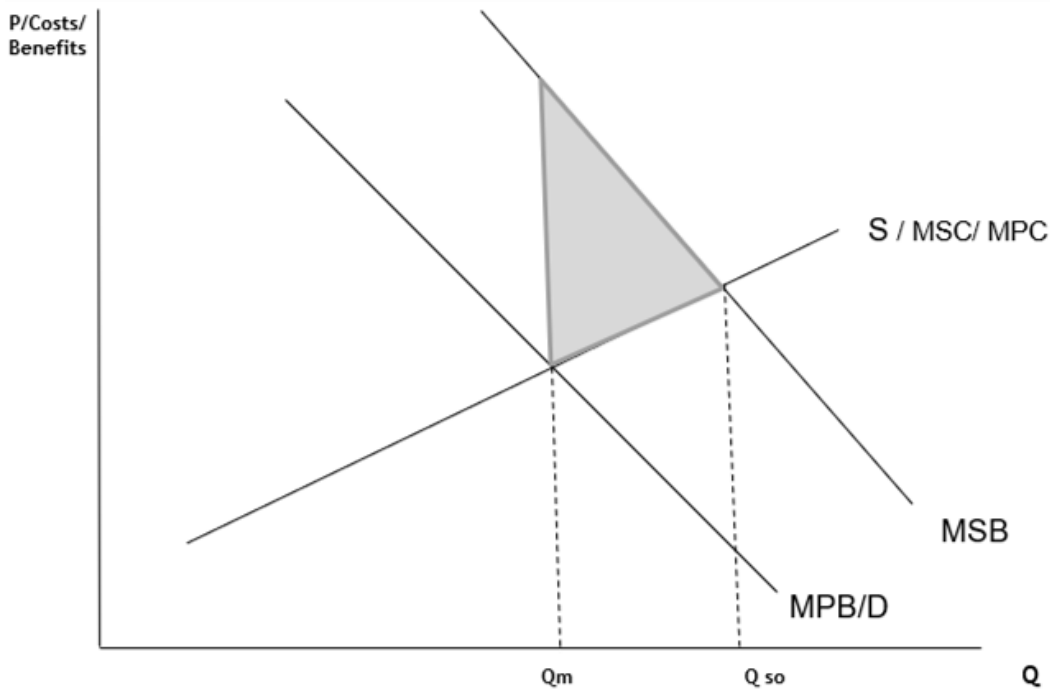


For an AD/AS diagram, the vertical axis may be Average (General) Price Level or Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS is acceptable. A title is not necessary.

- (e) Using an externalities diagram, explain why there is a welfare loss if the PNG government does not subsidize children’s education (**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 correctly labelled externalities diagram, with the marginal social benefit curve to the right of the demand/MPB curve and the welfare loss indicated (which may be delineated in the explanation instead of being indicated on the diagram)</p> <p>OR</p> <p>Explaining that education has external benefits/positive externalities OR is a merit good. Therefore (if it is not subsidised) there will be one of the following:</p> <ul style="list-style-type: none"> • market output lower than socially optimum output • $MSB > MSC$ • underprovision of education <p>(which will lead to a welfare loss).</p> <p><i>N.B. If a candidate incorrectly identifies the situation as a positive production externality, resulting in an incorrect diagram, this should not be penalised again in the explanation. The explanation may still be awarded up to [2] if it otherwise meets the markscheme requirements. The diagram may additionally be awarded [1], if it is correctly drawn and labelled to show the welfare loss due to a positive production externality.</i></p>	
2	<i>There is a correct diagram AND an accurate written response.</i>	3–4
	<p>For a correctly labelled externalities diagram, with the marginal social benefit curve to the right of the demand/MPB curve and the welfare loss indicated (which may be delineated in the explanation instead of being indicated on the diagram)</p> <p>AND</p> <p>Explaining that education has external benefits/positive externalities OR is a merit good. Therefore (if it is not subsidised) there will be one of the following:</p> <ul style="list-style-type: none"> • market output lower than socially optimum output • $MSB > MSC$ • underprovision of education <p>(which will lead to a welfare loss).</p> <p><i>N.B. If a candidate incorrectly identifies the situation as a positive production externality, resulting in an incorrect diagram, this should not be penalised again in the explanation. The explanation may still be awarded up to [2] if it otherwise meets the markscheme requirements. The diagram may additionally be awarded [1], if it is correctly drawn and labelled to show the welfare loss due to a positive production externality.</i></p>	

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



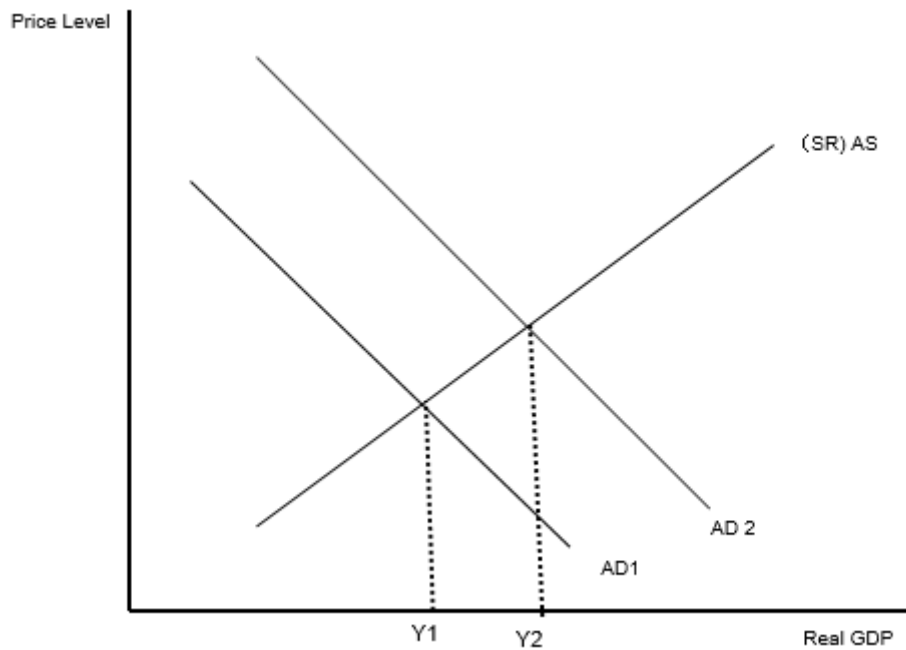
The vertical axis may be price P or benefits/ costs. The horizontal axis may be quantity or Q . The supply curve can be labelled S and/or MPC/MSC . The demand curve can be labelled D and/or MPB . The welfare loss can be shown by shading or by labelling the vertices. A title is not necessary.

Additionally, the diagram may show the effect of the subsidy on the supply curve. This approach can be fully rewarded if correctly explained. VAM.

- (f) Using an AD/AS diagram, explain the likely fiscal policy used by the PNG government in response to the real GDP growth rate in 1997 (**Figure 1**).

[4]

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	There is a correct diagram OR an accurate written response.	1–2
	For a correctly labelled AD/AS diagram, with the AD curve shifting right and an increase in real GDP OR Explaining that the government would have used an expansionary policy OR a policy to increase aggregate demand/real GDP/output/growth by one of the following: <ul style="list-style-type: none"> • lowering taxes • raising government spending 	
2	There is a correct diagram AND an accurate written response.	3–4
	For a correctly labelled AD/AS diagram, with the AD curve shifting right and an increase in real GDP AND Explaining that the government would have used an expansionary policy OR a policy to increase aggregate demand/real GDP/output/growth by one of the following: <ul style="list-style-type: none"> • lowering taxes • raising government spending 	



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

- (g) Using information from the text/data and your knowledge of economics, evaluate whether the trade strategies that PNG is using will improve economic growth. **[15]**

Command term

“Evaluate” requires candidates to make an appraisal by weighing up the strengths and limitations. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

Terminology/definitions may include:

- economic growth
- protection
- free trade
- economic integration
- import substitution
- export promotion
- diversification
- specialization

Economic models to support analysis may include

- an international trade with protection diagram
- a free trade diagram
- a poverty cycle diagram
- a PPC diagram
- an AD/AS diagram
- an exchange rate diagram

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

Answers **may** include:

- free trade/economic integration vs protection as ways of improving growth (limitations must also be considered)

<i>Free trade/economic integration: strengths</i>	<i>Protection: strengths</i>
<ul style="list-style-type: none"> • cheaper imported inputs for local producers (Text E, para 2) and lower prices overall 	<ul style="list-style-type: none"> • assists some local manufacturers (Text E, para 2)
<ul style="list-style-type: none"> • FTA's will encourage trading partners to lower tariffs, increasing exports from PNG (Text E, para 2) 	<ul style="list-style-type: none"> • allows for more diversification (Text E, para 4)
<ul style="list-style-type: none"> • trade is becoming a more important part of GDP as government expenditure declines relatively (Tables 4&5) 	<ul style="list-style-type: none"> • higher tariffs could add to depleted government tax revenues (Table 4 or Text D, para 2)
<ul style="list-style-type: none"> • more competition and efficiency 	<ul style="list-style-type: none"> • protection of jobs

- import substitution vs export promotion as ways of improving growth (limitations must also be considered)

<i>Import substitution: strengths</i>	<i>Export promotion: strengths</i>
<ul style="list-style-type: none"> • can provide more secure and formal employment in manufacturing and processing industries (Text E, para 2) • BUT export taxes on unprocessed items (eg logs) leads to problems for local producers (Text E, para 3) 	<ul style="list-style-type: none"> • promotion of tourism could redress deficit on balance of trade in services (Text F, para 2; Table 5) • foreign exchange earnings can then be invested abroad (Table 5) and the profits used to buy imported inputs <i>etc.</i>
<ul style="list-style-type: none"> • could encourage FDI from overseas to develop processing and manufacturing firms and therefore diversification (Text F para 2; Table 5) 	<ul style="list-style-type: none"> • need to find exports that have high YEDs for growth (Text E, para 1)
<ul style="list-style-type: none"> • can develop infant industries 	<ul style="list-style-type: none"> • overvalued currency has impeded exports but now depreciating (Text D, para 3)

- specialization vs diversification as ways of improving growth (limitations must also be considered)

<i>Specialization: strengths</i>	<i>Diversification: strengths</i>
<ul style="list-style-type: none"> • can use natural resources to generate larger surpluses in balance of trade in goods (Text D, para 1; Text E, para 1; Table 5) 	<ul style="list-style-type: none"> • could provide more employment (especially in agriculture, forestry and fishing) (Text D, para 1) specialisation in mining and energy products is unsustainable (Text E, para 4)
<ul style="list-style-type: none"> • government revenues from the extraction sector are significant (though declining and volatile) (Table 4; Text D, para 2) 	<ul style="list-style-type: none"> • more stability in export revenue and in GDP if less subject to fluctuations in global commodity prices (Text D, para 2; Fig 1)

<ul style="list-style-type: none">• potential for more economies of scale	<ul style="list-style-type: none">• less dependence on non-renewables and on environmentally destructive production (Text D, para 1; Text F para 2)
	<ul style="list-style-type: none">• climate change will impact some exports and therefore need to diversify (Text E, para 4)

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 meet 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 or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
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 relevant but 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 thoroughly 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.