2226 – 3217M

Diploma Programme
Programme du diplôme
Programa del Diploma

Markscheme

May 2026

Economics

Standard level

Paper 1

11 pages

1. (a) Explain why governments might set a price ceiling (maximum price) on a good. **[10]**

*Answers **may** include:*

- Terminology: price ceiling (maximum price).
- Explanation: of how setting a price ceiling lowers the price of the good below the equilibrium price and increases quantity demanded of essential goods and/or merit goods (or socially desirable goods); of how the price ceiling promotes equitable access to essential or merit goods and services for the lower-income households.
- Diagram: diagram(s) to show that a price ceiling is established below the equilibrium price and/or increase the consumption of the goods.

Assessment Criteria

Part (a) 10 marks

Marks	Level descriptor
0	• The work does not reach a standard described by the descriptors below.
1–2	• 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	• 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	• 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	• 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	• 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 consequences for different stakeholders when governments impose price floors (minimum prices). **[15]**

*Answers **may** include:*

- Terminology: minimum prices.
- Explanation: of minimum prices in markets for goods and services and/or minimum wages in labour markets.
- Diagram: minimum price diagram, minimum wage diagram, negative externalities diagram (in relation to demerit goods).
- Synthesis (evaluate): consideration of consequences of minimum prices such as higher prices of agricultural goods, demerit goods and/or labour; a surplus which may incur government expenditure (in the case of the implementation of a price support programme); higher revenue and producer surplus, loss of society welfare; discussion of the effectiveness of minimum prices to protect the incomes of the producers such as the inability of some governments to buy up the surplus (in the case of the implementation of a price support programme) and/or 'middlemen' buying below the minimum price due to excessive surplus and/or producers selling below the minimum price to get rid of the surplus; of the effectiveness of minimum wage to protect the incomes of the workers, *eg* in terms of higher unemployment.
- Examples: real-world examples of minimum prices used in markets for goods and services; and or minimum wages in labour markets.

*A maximum of **[9]** should be awarded if **only one** stakeholder is considered*.

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

N.B. *It should be noted that terminology, 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	• The work does not reach a standard described by the descriptors below.
1–3	• 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	• 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	• 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	• 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	• 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 the impact of income inequality on economic growth **and** standards of living. **[10]**

*Answers **may** include:*

- Terminology: income inequality (economic inequality), standard of living.
- Explanation: of the impact of income inequality such as higher levels of social and political unrest, lower standards of living from poverty and unequal access to healthcare and education; lower economic growth from unequal access to resources and less AD owing to less consumption from those at the bottom end of the income scale; the possibility of higher growth in terms of inequality generating greater savings, leading to higher investment.
- Diagram: AD/AS diagram, Lorenz curve diagram, poverty cycle diagram.

*A maximum of **[6]** should be awarded if **only** economic growth **or** standards of living are considered.*

Assessment Criteria

Part (a) 10 marks

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(b) Using real-world examples, discuss the view that high economic growth leads to a more equal distribution of income. **[15]**

*Answers **may** include:*

- Terminology: economic growth, more equal distribution of income.
- Explanation: of how high economic growth may lead to more job opportunities in some expanding industries, leading to greater equality in income distribution, greater tax revenue collected to support the vulnerable groups of people, higher savings that promote greater investment which may lead to higher income and equality in income distribution.
- Diagram: AD/AS diagram, Lorenz curve.
- Synthesis (discuss): consideration of how high economic growth may not lead to greater equality in income distribution such as higher inflation rates resulting in inequitable access to goods and services, unequal distribution of gains from economic growth due to inefficient tax policies, corruption, unequal expansion of industries, rural-urban divide and/or government policies influencing economic growth (market based supply-side policies worsen income inequality).
- Examples: real-world examples of countries experiencing high economic growth with a more unequal or more equal income distribution.

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Assessment Criteria

Part (b) 15 marks

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3. (a) Explain the consequences for domestic consumers **and** domestic producers when a country imposes a quota on imported goods. **[10]**

*Answers **may** include:*

- Terminology: quota, imported goods.
- Explanation: of how the imposition of a quota increases price and decreases consumption of imported goods, increases domestic producer revenue and surplus.
- Diagram: diagram(s) to show the consequences of a quota on domestic consumers and domestic producers.

*A maximum of **[6]** should be awarded if **only** domestic consumers **or** domestic producers are considered.*

Assessment Criteria

Part (a) 10 marks

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(b) Using real-world examples, discuss the view that trade protection is always effective in promoting economic development. **[15]**

*Answers **may** include:*

- Terminology: trade protection, economic development.
- Explanation: of how trade protection is effective, such as protection of domestic primary industries against dumping, to support its diversification efforts, raise income for domestic producers, get out of the poverty cycle, increase employment opportunities, raise government revenue to support health and education programs and economies of scale resulting in lower prices.
- Diagram: international trade diagrams, AD/AS diagrams, poverty cycle diagram, Lorenz curve diagram.
- Synthesis (discuss): consideration of ineffectiveness of trade protection such as retaliation from other countries, misallocation of resources, complacency of domestic producers, increased costs, higher prices, lower choice, reduced export competitiveness in the long run; discussion of other policies to promote economic development, consideration of "always".
- Examples: real-world examples of countries carrying out trade protection or not carrying out trade protection, related to development.

*A maximum of **[9]** should be awarded if **only** answered in terms of economic growth*.

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

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Assessment Criteria

Part (b) 15 marks

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