2226 – 3222M

Markscheme

May 2026

Economics

Higher level

Paper 1

11 pages

1. (a) Explain the differences between oligopoly and monopolistic competition. **[10]**

*Answers **may** include:*
- Terminology: oligopoly, monopolistic competition
- Explanation: that oligopoly is characterised by a few large firms and high barriers to entry, resulting in market power, interdependence, ability and incentive to collude (and cheat), risk of price wars and an ability to make abnormal profit in the long run; whereas monopolistic competition is characterised by many firms and low/no barriers to entry, resulting in little market power, product differentiation and an inability to make abnormal profit in the long run
- Diagram(s): a collusive oligopoly acting as a monopoly diagram, a monopolistic competition diagram, a payoff matrix in oligopoly.

*A maximum of **[6]** may be awarded if **only** oligopoly **or** monopolistic competition is explained*

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, discuss the view that profit maximization will always be the main objective of a business. **[15]**

*Answers **may** include:*

- Terminology: profit, profit maximization
- Explanation: of why profits are maximized at MC=MR; the assumption of producer rationality; the need for maximum profit in more general terms (*e.g.* generating funds for investment purposes)
- Diagram: showing MC equating with MR in any market structure
- Synthesis (discuss): a challenge to the view in terms of the problems of achieving profit maximization in reality; alternate business objectives such as corporate social responsibility, market share, satisficing, growth; the rationality of producers; consideration of the word "always"
- Examples: real-world examples of firms either pursuing profit maximization or alternatives as their main objective.

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

N.B. *It should be noted that definitions, 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 likely problems associated with high unemployment. **[10]**

*Answers **may** include:*

- Terminology: unemployment, high unemployment
- Explanation: of the various personal, social and economic costs of unemployment; costs related to specific types of unemployment
- Diagram: use of any relevant AD/AS diagram, PPC diagram, Lorenz curve diagram or a labour market diagram showing a fall in the demand for labour.

Assessment Criteria

Part (a) 10 marks

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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 effectiveness of fiscal policy in reducing unemployment. **[15]**

*Answers **may** include:*

- Terminology: fiscal policy, unemployment
- Explanation: of how expansionary fiscal policy may be used to shift AD to the right, increasing real GDP, leading to a fall in unemployment as the demand for labour increases; influence of the multiplier effect, the possibility of shifting LRAS to the right through the supply-side effects of fiscal policy
- Diagram: appropriate use of an AD/AS diagram showing AD and/or LRAS being shifted to the right, and/or a labour market diagram showing an increase in aggregate demand for labour and an increase in employment
- Synthesis (evaluate): a consideration of the effectiveness for different types of unemployment; the various constraints on fiscal policy such as political pressure, time lags, sustainable debt, crowding out; the strengths such as targeting of specific sectors, effectiveness of government spending in deep recession; consideration of alternative policies to reduce unemployment
- Examples: real-world examples of fiscal policy being used to reduce unemployment and/or of alternative policies being used.

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

N.B. *It should be noted that definitions, 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.
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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.

3. (a) Explain how gender inequality **and** ineffective taxation structures may be barriers to economic growth. **[10]**

*Answers **may** include:*

- Terminology: gender inequality, taxation structure, economic growth
- Explanation: of the negative impact of gender inequality on growth related to the control of resources and access to opportunities, the negative impact on the labour force resulting from gender inequalities in health and education; the impact on overall economic output; the impact of ineffective tax structures (*e.g.* weak tax collection systems, a high dependence on indirect taxation) on government revenues required to finance expenditure (*e.g.* on human capital and infrastructure); the impact on equity and resource allocation
- Diagram: appropriate use of any relevant diagram such as an AD/AS diagram, PPC diagram, poverty cycle diagram.

*A maximum of **[6]** may be awarded if **only** gender inequality **or** ineffective tax structures is considered.*

Assessment Criteria

Part (a) 10 marks

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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 effectiveness of interventionist policies in promoting economic growth **and** economic development. **[15]**

*Answers **may** include:*

- Terminology: interventionist policies, economic growth, economic development
- Explanation: of the ways in which interventionist policies may promote economic growth and development. For example, redistribution policies (*e.g.* tax policies, transfer payments and minimum wages), provision of merit goods and infrastructure, subsidies, nationalization and government funded R&D
- Diagram: appropriate use of any relevant diagram such as an AD/AS diagram, PPC, Lorenz curve, poverty cycle, externalities diagram
- Synthesis (evaluate): a consideration of the advantages of interventionist policies in terms of such factors as correcting market failure, investment in human capital and infrastructure, greater income, wealth and gender equality, poverty reduction, and management of macro-economic variables; consideration of the disadvantages such as opportunity costs, greater bureaucracy, misallocation of resources, protection of inefficient producers; consideration of alternative polices
- Examples: real-world examples of countries using interventionist policies to promote economic growth and development, or alternative policies.

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

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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.