



MARKSCHEME

May 1999

ECONOMICS

Higher Level

Paper 2

Marking Criteria

Use these guidelines as a general basis for awarding marks.

Band 4A:

10 marks

Excellent. Not necessarily a perfect answer, but as good as could reasonably be expected by a candidate at this level under these circumstances.

Band 4B:

8-9 marks

Very good. A comprehensive answer without major error. The candidate is clearly at home in economic argument. Succinct and well directed.

Band 3:

6-7 marks

Generally good. The candidate clearly has grasped the import of the question. Most of the points which could reasonably be expected are covered. Some minor errors are possible, but these do not detract from the overall impression.

Band 2:

4-5 marks

Quite relevant. Satisfactory/adequate. Some fairly good points made. There may be errors, points of confusion, or omissions, but the candidate provides evidence of familiarity with basic economic principles.

Band 1:

2-3 marks

Weak. Some relevance, but this is very limited; or some basic points made, *e.g.* definitions of terms without elaboration. Significant errors, major confusions, or omission of important points.

Band 0:

0-1 marks

Very weak. Absolutely no relevance. Do not use this band if there is **some** relevance.

PAPER-SPECIFIC GUIDANCE - MAY 1999

The following comments are intended to provide extra guidance to Assistant Examiners, but they are not meant to be a 'straitjacket'.

They are meant to indicate some of the main points which the question-setter hoped to elicit, and/or indicate sensible approaches; however, it is often possible for candidates to respond to a question in a way which is unanticipated and yet which contains valid economic arguments, so please keep an open mind.

THE GENERAL MARKING CRITERIA REMAIN THE MAIN BASIS FOR AWARDING MARKS.

PLEASE REMEMBER THAT CANDIDATES HAVE ONLY ONE HOUR IN WHICH TO ANSWER FOUR QUESTIONS ON THIS PAPER. PROVIDED THAT CANDIDATES GRASP THE IMPORT OF EACH QUESTION AND ANSWER RELEVANTLY, THEY SHOULD BE REWARDED.

Question 1 Opportunity cost

Good answers should include an accurately drawn and labelled diagram which should be incorporated into the text. High scoring responses are likely to make use of such concepts as scarcity, choice, opportunity cost, productive efficiency and merit goods/demerit goods in their assessment but not necessarily all of these.

Question 2 Monopoly

The normal answer is likely to arrive at the conclusion that under monopoly the industry will produce a lower output at a higher price as compared to perfect competition. This will result in a loss of technical/productive and allocative efficiency. Good candidates might also comment on the loss of consumer welfare and sovereignty. The candidate who, in addition, comments on the possibility of economies of scale under monopoly would obviously score very highly.

Question 3 Multiplier effect

Some credit should be given for a simple explanation of the multiplier effect. However, higher marks should be reserved for those candidates who explicitly make the point that the government spending multiplier is likely to be more effective in raising the level of national income as it is not initially subject to withdrawals, whereas tax reductions are, and it is not subject to the same time lags. Reward candidates who argue that tax reductions will raise national income via their supply-side incentive effects.

Question 4 Terms of trade and balance of payments

An accurate distinction between the terms of trade and the balance of payments on current account is required. Give some credit to those candidates who are merely able to explain what is meant by a deterioration in the terms of trade and an improvement in the current account. However, higher marks should be awarded only where clear linkages between the two are made.

Very good answers are likely to make use of the concept of price elasticity of demand.

Question 5 Manufactured goods versus primary products

Points likely to be made include: fluctuating prices of primary commodities; deteriorating terms of trade; more rapid technological progress for manufactured products; low income elasticity of demand for primary products; increased trade between rich countries; greater multiplier effects from investment in manufacturing; higher productivity in manufacturing.

Question 6 Structural unemployment

Good explanations of structural unemployment will mention its demand and supply side aspects; *i.e.* it may result from long term or permanent changes in the pattern of demand and /or supply. On the supply side, a discussion of technological unemployment as a special case of structural unemployment should be rewarded, as should suitable examples. Policy options might include measures to improve the occupational (*e.g.* retraining) and geographical (*e.g.* relocation grants) mobility of labour, and regional policy.
