



MARKSCHEME

November 1999

ECONOMICS

Higher Level

Paper 3

Section A – Data Response Questions – Paper Specific Markscheme

Question 1: Eastern Europe

		Partial Mark	Maximum Mark
(a)	(i) Ukraine	1	1
	(ii) No because figures show percentages and not absolute amounts.	1	2
(b)	Give [1 mark] if candidate realises that figures are index numbers. Give two additional marks for an explanation along the lines that the numbers in the column show real GDP in 1995 as % of what real GDP was in 1985.	1 2	 3
(c)	(i) For a reasonable definition of what the term “living standard” means e.g. real income per head. For arguing that living standards are lower in 1995 than 1989 (based on Table 2 and Diagram 1) but signs of improvement in four countries but not in the other two. For the use of indicators such as the decline in birth rates and rise in crime and death rates as quality rather than quantity indicators.	1 2 2 2	 5
	(ii) Key additional information needed are absolute figures for real income per head (at ppp) and income distribution, but give credit for other reasonable suggestions. Give credit also to candidates who write about the HDI, environmental and other quality indicators.	3	3
(d)	(i) Reward candidates who make the following points: unemployment has risen based on figures for negative real GDP growth high levels of inflation lower real GDPs in 1995 rising death crime rates. Give credit to a candidate who argues that unemployment may have fallen (question does say from the data and not from knowledge of the countries) due to some Phillips Curve type trade-off or due to some labour market effect with falling real wages.	 4	 4
	(ii) This is an opportunity for candidates to display knowledge of the problems involved in the transition from a CPE to a market economy. Problems that should be mentioned are: rapid inflation due to switch from administered prices to market prices, monetary overhang and problems of government finance. falling output due to the inefficiency of state enterprises, foreign competition, the ending of state subsidies and the collapse of the planning system. Candidates should point out that there are signs of recovery in the first four countries and some improvement in Russia and Ukraine.		

Level 0:	No valid discussion.	0
Level 1:	Some basic points are made but little development and very limited links between data and theory.	1-2
Level 2:	Several relevant points are made and there is development of some of them. Some links between data and theory.	3-5
Level 3:	Good use of data and theory. Most points included.	6-7

Question 2: Rich-poor divide

	Partial Mark	Maximum Mark
(a) Reward reasonable definitions <i>e.g.</i>		
(i) globalization: ability to produce/sell/finance/use resources/take profits in any country		2
(ii) comparative advantage: reference to opportunity costs for full [2 marks]		2
(b) (i) All groups worse off except the richest group		2
(ii) Consequence that could be raised include:		
levels of development and consumption patterns in rich and poor countries	2	
efficiency of resource allocation on a global scale	2	
effect on world trading patterns	2	
labour migration	2	
any other relevant economic factor	2	4
<p>Be prepared to reward answers based on identifying a trend in b(i) other than a more uneven, global distribution of income.</p> <p><i>Note that the question asks for <u>economic</u> consequences. Do not reward answers which discuss possible political consequences.</i></p>		
(c) (i) Description of 'open' policy. No. effects are what's needed here. Discussion <i>e.g.</i> small industries have time to grow...	1 3	4
(ii) Description of 'expansionary macroeconomic' policy Discussion. Sucks in imports so LDCs benefit.	1 3	4
(d) Mark on quality of discussion, which basically revolves round the free market 'trickle down' ideas of the World Bank, and the more inventionist view of the UN.		
Level 0: No valid discussion.	0	
Level 1: One or two points with minimal discussion. Little reference to the extract.	1-2	
Level 2: One or two points with some discussion and some reference to the extract.	3-4	
Level 3: Several points with good discussion and reference to the extract.	5-6	
Level 4: A range of points, well-discussed and well-related to the extract.	7	7

Marking Criteria, Section B

Use these guidelines as a general basis for awarding marks.

The candidate's answer should be placed in the band where the majority of descriptors correspond to the candidate's work.

See the mark grid for the range of marks available at each band.

Band 4A:

Excellent knowledge of the content of the HL syllabus.

Excellent expression, use of examples and critical approach.

Evidence of thorough understanding of major relevant issues, and accurate use of economic principles.

Where appropriate: a good appreciation of alternative points of view, and some higher order skills, such as analysis/evaluation.

Well organised, cogent, succinct, well informed.

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

Band 4B:

Very good knowledge of the content of the HL syllabus.

Very good expression, use of examples, and critical approach.

Evidence of confident understanding of relevant issues and economic principles.

Where appropriate: some appreciation of alternative points of view, and/or some analysis, and/or some evaluation.

A clear and direct answer to the question.

Well argued with no major errors.

Band 3:

Good knowledge of the content of the HL syllabus.

Good expression and use of examples.

Evidence of clear understanding of relevant issues and economic principles; there may be some errors or confusions, but these are minor.

Ability to use economic models confidently, and/or apply economic concepts to answer the question.

Generally well organised and effectively communicated.

Some lapses in the logical argument may be present, but not too much to spoil the overall impression.

Band 2:

Satisfactory knowledge of the content of the HL syllabus.

Reasonable expression and use of examples.

A few issues recognised.

Some evidence of familiarity with basic economic models/principles, but there may be some confusion.

Some concepts may be understood, others misunderstood.

The organisation of material might be disjointed, and there might be a lack of lucidity/fluency, but the general message is communicated.

Relevant points might be mentioned, but not developed properly or explained clearly.

In the lower part of this band, some irrelevancies might be discussed at some length, and/or quite important material might be omitted, as long as some points of substance are discussed.

Answers with a number of relevant points which are presented in 'note' or 'list' form might reach the top of this band depending on the quality of the points made.

Band 1:

Weak knowledge of the content of the HL syllabus.

Poor expression and use of examples.

Issues discussed tend not to be central ones/central issues are misunderstood.

Minimal evidence of familiarity with basic economic models/principles; often an impression will be given of a use of general knowledge rather than a systematic training in Economics.

Essays not answering the question set will usually be in this band, as may severe cases of parrot-learning/pre-learned answers written regardless of the question/excessively short, note-like answers; but they may enter the band above depending on the extent of the irrelevancy and the quality of the answer.

Band 0:

Very weak or inadequate knowledge of the content of the HL syllabus.

Inadequate expression and use of examples.

Understanding of issues is not evident.

No evidence of any useful familiarity with economic models/principles.

Something of relevance might be mentioned, and receive some of the few marks available, but there are major points of confusion.

Poorly organised to the point of being incoherent.

MARKING GRID: IB ECONOMICS, MARKBANDS AND RANGES; PAPERS SL2, HL3 SECTION B (ESSAYS) Read the band descriptors (detailed marking criteria) before using this grid								
BRIEF BAND DESCRIPTOR (Also refer to detailed criteria)	BAND	FOR QUESTION/SUB-QUESTION						
		25	15	13	12	10	9	8
Excellent	4a	24-25	14-15	12-13	12	10	9	8
Very Good	4b	20-23	12-13	10-11	10-11	8-9	7-8	7
Good	3	15-19	9-11	8-9	7-9	6-7	5-6	5-6
Satisfactory/adequate	2	10-14	6-8	5-7	5-6	4-5	4	3-4
Weak	1	5-9	4-5	3-4	3-4	2-3	2-3	2
Very Weak	0	0-4	0-3	0-2	0-2	0-1	0-1	0-1

Section B Essays: Paper-Specific Guidance

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.

Question 3

- (a) **Why do environmental issues cause problems to economists?** *[10 marks]*
- problems arising from the identification, interpretation, and particularly measurement of conflicting data
 - existence of positive and negative production and consumption externalities whose prices are not fully reflected in market prices
 - existence of merit and demerit goods that confer costs or benefits that cause departure from market prices
 - market failure – inability to internalise externalities
- (b) **What solutions might an economist suggest for the problem of overfishing** *[15 marks]*
- difficulties arise from the issue of ownership rights
 - solutions might include quotas, licences, permits or other non-market methods, if well explained
 - long term need for sustainable development, properly understood as not depleting stocks faster than the regeneration rate.

The very best answers might include discussion of whether market-based approaches are possible, such as tradeable permits.

Question 4 **Is there a long-term trade-off between inflation and unemployment?** *[25 marks]*

Students might be expected to introduce the Keynesian short-run Phillips curve and its apparent historical consistency and contrast it with the expectations - augmented Phillips curve, and the idea of a natural rate of unemployment.

An alternative approach is to use aggregate demand and aggregate supply to explain the Keynesian and Monetarist approaches to inflation and unemployment.

Good students will present and explain diagrams.

Question 5 “Most modern mass production processes can be performed in most countries and climates.” Consider this statement with respect to the theories of comparative and absolute advantage.

[25 marks]

The quotation and question together invite students to comment on the universal applicability of comparative and absolute advantage.

Weaker students might tend to agree with and affirm the quoted statement and explain and amplify the theory.

Those who agree with the statement might criticise the assumptions on which the theory is based - no transport costs, perfect knowledge, amenable exchange rates etc.

Or, those who disagree might dispute ‘modern mass production’ by considering appropriate technology, local factor endowment and opportunity costs mean that capital intensive production is not globally appropriate.

References to globalization, with suitable definitions and links to the question might also be expected. Also, consideration might be given to the ability of Multinational Corporation to move capital to areas where labour is cheap, blurring the differentials in factor costs.

Question 6 A country decides to change from an inward orientated development strategy to an outward orientated development strategy.

(a) What changes in economic policy would be made?

[12 marks]

- Reduce role for protectionism
 - tariffs, quotas, exchange controls reduced
 - possible entry to a trade bloc
- Reduced role for government
 - privatization
 - deregulation
- Increased reliance on the market mechanism
 - in foreign exchange markets: floating
 - in labour markets: no minimum wage, discouraging of unions
- Greater openness to international capital
 - FDI
 - MNEs

(b) Discuss the likely consequences of this change in policy.

[13 marks]

Consequences could be organised according to the different ‘player’ or short and long term, for example

- short run structural unemployment
- short run disequilibrium on external account
- greater choice as markets open to imports
- better resource allocation due to comparative advantage
- reduced role of the state in welfare provision
- trade creation/diversion with trade partner
- income distribution effects, e.g. urban / rural, etc.