



# **MARKSCHEME**

**May 1999**

**ECONOMICS**

**Higher Level**

**Paper 3**

**Section A - Data Response Questions - Paper Specific Markscheme**

	<b>Partial Mark</b>	<b>Maximum Mark</b>
<b>1. Human development is the end, economic growth is a means</b>		
(a) (i) For restating the relevant information from the text. For stating that the HDI maximum possible value is 1.	<b>1</b> <b>1</b>	
For developing a fuller definition along the lines of  <b>either</b> the HDI combines three indicators of development: life expectancy, educational attainment, and real per capita income  or the HDI is constructed by measuring a country's relative achievements in health, education and living standards and taking an average of these three basic indicators.	<b>2</b>	<b>2</b>
(ii) For restating the relevant section from the passage For developing an answer to the effect that jobless growth occurs where the overall economy grows but this is not translated into an expansion of employment opportunities.	<b>1</b> <b>2</b>	<b>2</b>
(b) For developing an answer along the lines that  falling rates of growth occur when the rate of growth decelerates <b>and</b> negative growth is when output declines in absolute terms.	<b>2</b> <b>2</b>	<b>3</b>

	<b>Partial Marks</b>	<b>Maximum Marks</b>
(c) Candidates could cover the following points:		
<b>HDI</b>		
• embraces social development, not just economic development		
• can be constructed for particular groups (e.g. different ethnic groups)		
• can address the question of the distribution of the benefits of growth		
• recognises that the development of a society can be seen in human terms rather than in products or consumables		
• recognises that human well-being is valued as an end in itself		
• ignores human freedom		
<b>GDP/GNP</b>		
• is easily calculated		
• the hidden economy is not counted		
• problems of distribution are ignored		
• externalities are ignored		
• all outputs are deemed to be of equal social value		
• places no value on leisure		
• unpaid work is not counted		
• ignores human freedom		
(Allow up to 2 marks for each point suitably developed. Maximum of 4 marks if answers do not involve an element of comparison.)		<b>5</b>
(d) Possible reasons might include		
• the effect on aggregate demand		
• the relationship between education and productivity	<b>3</b>	
• the relationship between health and productivity	<b>3</b>	
• the effects of luxury consumption on imports, the balance of payments and development	<b>3</b>	
	<b>3</b>	<b>5</b>

	<b>Partial Marks</b>	<b>Maximum Marks</b>
(e) Issues and areas for discussion might include:		
<b>For ‘trickle down’</b>		
<ul style="list-style-type: none"><li>• the rich have a higher propensity to save, hence they generate the investment funds that will lead to growth</li><li>• if income is too equally distributed it removes incentives and so the income of everyone is lowered</li><li>• poverty is a necessary short-term effect</li></ul>		
<b>For criticisms of ‘trickle down’</b>		
<ul style="list-style-type: none"><li>• the theory assumes that savings will be invested in productive investment rather than wasteful consumption, imports, capital flight <i>etc.</i></li><li>• says nothing about the scale, the pace and the distribution of the trickle</li><li>• says nothing about unsustainable growth</li><li>• ignores human well-being, freedom and justice</li><li>• assumes that growth is the product of accumulation, physical capital and technical progress rather than of human capital, <i>i.e.</i> the behaviour of educated free people</li><li>• empirical studies prove that there is no trickle down</li></ul>		
<b>Level 0:</b> No valid discussion.	<b>0</b>	
<b>Level 1:</b> Very few relevant issues recognised with little or no valid discussion.	<b>1-2</b>	
<b>Level 2:</b> A few issues recognised with some attempt at discussion or just one issue developed fully.	<b>3-5</b>	
<b>Level 3:</b> A range of issues discussed in reasonable depth. Must also show an awareness of alternative viewpoints.	<b>6-8</b>	<b>8</b>

<b>Partial Marks</b>	<b>Maximum Marks</b>
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**2. How Should Governments Intervene in Labour Markets?**

(a) (i) Given the nature of the data a diverse range of answers is possible as indicated below:

- the marginalisation of the poor bears little relation to national income, *e.g.* the per capita income of the poorest 20% in the U.S.A. is less than a ¼ of the country's average per capita income - in Japan it is nearly ½
- income distribution is also skewed in developed countries although generally less, *e.g.* the average income of Japan is 36 times higher than that of Tanzania but the per capita income of the poorest 20% in Japan is 130 times more than in Tanzania
- the poor are more marginalised in Brazil, Guatemala, Guinea-Bissau and the U.S.A. - less in Bangladesh, Hungary, Indonesia, Japan and Nepal
- a simple numerical comparison is also acceptable

(The marking scheme cannot be too prescriptive but full marks should be allocated for any sensibly developed point provided that the criteria set by the question are met, *i.e.* comparisons within and between high, middle and low income countries.)

3

(ii) Relevant factors might include:

**For more developed countries**

- trade
- growth
- investment
- government policies
- technology

3

**For less developed countries**

- colonialism and neo-colonialism
- creation of development strategies
- terms of trade
- access to markets
- debt

3

5

	<b>Partial Marks</b>	<b>Maximum Marks</b>
b) (i) For a definition along the lines of setting a legal minimum hourly wage.		<b>2</b>
(ii) Other forms of intervention might include:		
• legislation: industrial relations, health and safety, employment protection, holiday entitlement, maximum hours of work, equal pay, equal opportunities policies, setting minimum age for work <i>etc.</i>	2	
• social security	2	
• deregulation	2	
• training	2	<b>3</b>
(c) <b>Arguments for a minimum wage</b> might include:		
• distribution arguments, <i>i.e.</i> the minimum wage is effective where the formal economy is large (item 3)		
• social arguments ( <i>e.g.</i> health, crime)		
• political arguments ( <i>e.g.</i> justice, exploitation, human right to decent standard of living)		
• labour market imperfections		
• effect on aggregate demand		
• refuting specific points against ( <i>e.g.</i> high wage costs offset by increases in productivity)		
<b>Arguments against</b> might include:		
• the size of the informal economy could be too large ( <i>i.e.</i> the minimum wage is ineffective)		
• difficult to police		
• interference with market forces		
• will cause unemployment		
• might encourage increased mechanisation		
• wage push inflation		
<b>Level 0:</b> No valid discussion.		
<b>Level 1:</b> Very few relevant issues recognised or just one issue developed fully.	<b>0</b>	
<b>Level 2:</b> A few issues recognised with some attempt at discussion or just one issue developed fully.	<b>1-2</b>	
<b>Level 3:</b> A range of issues discussed in reasonable depth. Must also show an awareness of alternative viewpoints.	<b>3-5</b>	
	<b>6-8</b>	<b>8</b>

- (d) Full marks should be awarded for any well-developed sensible answer which justifies a particular labour market policy in relation to a specific country.

4

## 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.

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

## **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.**

3. (a) Distinguish between private and social costs and benefits. *[8 marks]*
- (b) Explain how an increase in the number of cars on the roads of a country might lead to a misallocation of the resources. *[8 marks]*
- (c) Evaluate ways in which a government might remedy this allocation. *[9 marks]*
- (a) It should be made clear that:
- social costs = private costs + negative externalities
  - social benefit = private benefits + positive externalities
- (b) Likely points include some of the following:
- more cars generate external costs to society, not covered by private costs to motorists
  - examples of external costs, *e.g.* pollution, congestion, noise *etc.*
  - over-consumption at the free market price - SMC is greater than price
  - appropriate diagram
- (c) Possible areas for discussion include some of the following:
- taxation of motorists
  - subsidisation/greater provision of public transport
  - road pricing schemes, *e.g.* tolls
  - regulation and control
  - persuasion, *e.g.* through tax incentives to share cars, park and ride schemes, advertising *etc.*

4. (a) **What is it that price income and cross elasticities of demand are to measure?** *[10 marks]*
- (b) **Discuss the practical importance of the concept of price elasticity of demand for (i) business organisations and (ii) the government.** *[15 marks]*
- (a) Good answers should contain accurate definitions and formulae. Candidates must address at least 2 of the 3 types of elasticity for band 2 or above, and all 3 for band 3 or above.
- (b) Possible areas for discussion include some of the following:
- (i) **For business organisations**
- relationship between PED and sales revenue
  - PED and sales revenue in different market situations, *e.g.* perfect competition, monopoly, discriminating monopoly, oligopoly
  - importance of PED for agricultural business organisations
- (ii) **For the government**
- PED, expenditure taxes and government tax revenue
  - importance of PED in relation to government subsidies
  - PED and the effectiveness of tariffs
  - PED and the effectiveness of devaluation (the Marshall/Lerner condition)
5. (a) **Briefly explain the various major objectives of macro-economic policy.** *[10 marks]*
- (b) **Critically examine the view that the control of inflation should always be the most important objective of governments.** *[15 marks]*
- (a) Candidates should briefly explain the goals of price stability, full employment, satisfactory balance of payments, economic growth and a more equal/unequal distribution of income and wealth.
- (b) Possible areas for discussion include some of the following:
- justification of the view in terms of the various ill-effects of inflation
  - challenging the view in terms of
    - situations in which inflation may not be a problem
    - the trade-off between inflation and unemployment
    - reasons why full employment should be the priority
    - reasons why economic growth should be the priority
    - reasons why the balance of payments should be the priority
    - reasons why income and wealth distribution should be the priority

6. (a) **What factors explain the growth in importance of multinational corporations in recent decades? Illustrate your answer where possible by making reference to your own or other countries.** *[12 marks]*
- (b) **Do multinational corporations work in favour of or against the interests of Less Developed Countries.** *[13 marks]*
- (a) Factors responsible might include some of the following:
- growth of international trade
  - pyramidal international division of labour
  - profit maximisation strategies, *e.g.* economies of scale, transfer pricing *etc.*
  - growth of free trade areas, *e.g.* EU and NAFTA
  - advances in communications and information technology
  - The marketisation of former communist economies
  - the trend towards globalisation
  - multinationals and development strategies such as import substitution and export orientated growth
- (b) Possible areas for discussion include some of the following:
- providing LDCs with capital and thus stimulate growth
  - diffusion of technological know-how and managerial skills
  - provision of employment and income to areas of absolute and relative poverty, particularly for women
  - the breakdown of economic distortions caused by political frontiers
  - balance of payments effects
  - government tax revenues
  - problems of capital intensive investment
  - outward directed growth and stifling of domestic competition
  - profits outflow
  - widening inequalities between rural and urban sectors
  - exploitation of local labour
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# INTERNATIONAL BACCALAUREATE BACCALAUREAT INTERNATIONAL BACHILLERATO INTERNACIONAL

## ECONOMICS / ECONOMIE / ECONOMÍA

### Multiple Choice Answers/Solutions des Questions Multiples/Respuestas para la Selección Múltiple

Examination Session / session d'examens / sesión de exámenes de

May / mai / mayo 1999

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### SUBSIDIARY LEVEL / OPTION MOYENNE / NIVEL MEDIO

1. <u>D</u>	16. <u>D</u>	31. <u>D</u>	46. ___
2. <u>C</u>	17. <u>B</u>	32. <u>A</u>	47. ___
3. <u>C</u>	18. <u>A</u>	33. <u>C</u>	48. ___
4. <u>A</u>	19. <u>A</u>	34. <u>A</u>	49. ___
5. <u>A</u>	20. <u>B</u>	35. <u>B</u>	50. ___
6. <u>B</u>	21. <u>A</u>	36. <u>C</u>	51. ___
7. <u>D</u>	22. <u>D</u>	37. <u>C</u>	52. ___
8. <u>D</u>	23. <u>B</u>	38. <u>A</u>	53. ___
9. <u>B</u>	24. <u>D</u>	39. <u>D</u>	54. ___
10. <u>C</u>	25. <u>A</u>	40. <u>B</u>	55. ___
11. <u>C</u>	26. <u>D</u>	41. ___	56. ___
12. <u>B</u>	27. <u>B</u>	42. ___	57. ___
13. <u>B</u>	28. <u>D</u>	43. ___	58. ___
14. <u>C</u>	29. <u>A</u>	44. ___	59. ___
15. <u>D</u>	30. <u>C</u>	45. ___	60. ___