

MARKSCHEME

November 2000

ECONOMICS

Higher Level

Paper 3

SECTION A

Question 1

	Partial Mark	Maximum mark
(a) (i) joint supply for explaining that when a consumer buys one product, he is automatically supplied with the other		2
(ii) monopoly power for explaining monopoly power in terms of		
• market concentration	2	
• barriers to entry	2	
• power to set price	2	2
(b) (i) monopoly might be regulated by		
• legislation	1	
• use of regulatory bodies	1	
• investigatory approach	1	2
(ii) For explaining that the company uses its de facto monopoly power to squeeze out competition by forcing its way into other businesses. For explaining that Microsoft threatened computer manufacturers with the loss of crucial licenses if they installed Netscape browsers.	2	
	2	4
(c) (i) Possible arguments might include:		
• price is higher than marginal cost		
• need not produce where average costs are minimized		
• reduced output		
• inefficiency		
• no choice or little choice for consumers		
Level 1: Inadequate discussion of one or two arguments	0-2	
Level 2: Adequate discussion of some arguments	3-5	
Level 3: Good discussion of several arguments	6-7	7
(ii) Desirability factors that might be raised:		
• natural monopoly		
• public goods		
• intellectual property		
• research and innovation		
Level 1: One or two factors with minimal discussion, little reference to the text	0-2	
Level 2: One or two factors with some discussion and some reference to the text	3-4	
Level 3: Several factors with good discussion and reference to the text	5-6	
Level 4: Several factors, well discussed and well related to the text	7-8	8

SECTION A

Question 2

	Partial Mark	Maximum Mark
(a) A decline in armed forces expenditure as a percentage of GDP. An increase in police expenditure as a percentage of GDP.	1 1	2
(b) Domestic is better than National because net property income is not of relevance in this case. Output method gives greatest comparability. No need to allow for depreciation (Net).	1 1 1	2
(c) Spain and Portugal spent more on defence and policing combined in 1995 than they had in 1985 as a percentage of GDP because increases in police expenditure outweighed reductions in defence. Britain and Germany spent less on defence and policing combined in 1995 than they had in 1985 as a percentage of GDP because decreases in defence outweighed increases in policing.	2 2	4
(d) Long term trends in unemployment Structural decline of industries normally employing young males Violence, imprisonment and crime figures Income distribution Tertiary enrolment (all to be found in HDR, WDR) Other plausible indicators Notion of crime as a social cost of higher unemployment	1 1 1 1 1 1 2	5
(e) (i) Conventional explanation of a decrease in AD resulting from a reduction in government spending. Multiplier effect may lead to larger than proportional increase in unemployment (except in Spain and Portugal).	6	6
(ii) Reduction in state spending allows for lower taxes with consequent incentive effects and reduced tendency for the state to crowd out the private sector. Freer labour market allows for possible shifts in the AS curve, <i>etc.</i> AD/AS diagrams will illustrate better answers.	6	6
Level 1: Some basic points are made but little development and very limited links between data and theory.	0-2	
Level 2: Several relevant points are made and there is development of some of them. Some links between data and theory. Basic points are made but little development.	3-4	
Level 3: Good use of data and theory. Most points included.	5-6	

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.

SECTION B

Question 3 Environmental problems

- (a) Relevant points might include:
- definition of market failures
 - examples of environmental problems
 - explanation of environmental problems as negative externalities
 - explanation of $MSC > MPC$ leading to allocative inefficiency and overproduction at the free market price
 - use of appropriate diagram(s)

Full marks could be achieved through a purely descriptive approach, providing this is sufficiently technically based. However, it is likely that most higher scoring scripts will make use of the appropriate MSC/MSB diagram to illustrate market failure.

[10 marks]

- (b) Possible areas for discussion:
A critical analysis of the various forms of intervention, *i.e.*
- direct provision of goods and services by the government
 - extension of property rights
 - taxes
 - subsidies
 - tradeable pollution permits
 - regulation/direct controls

N.B. not all areas need to be discussed for full marks.

[15 marks]

Question 4 Price discrimination

(a) Relevant points might include:

- definition of price discrimination
- existence of an imperfect market
- splitting and separation of market (*e.g.* according to geography, time and customer type)
- differing price elasticities of demand
- costs of segmentation less than likely benefits

Candidates who use the three market discriminating monopoly equilibrium diagram to answer this question should be highly rewarded

[12 marks]

(b) Possible areas for discussion:

- effects on consumers, *e.g.* in captive markets/non-captive markets
- effect on consumer surplus/producer surplus
- redistributive effects
- effect on profits
- possibility of consumers and producers gaining if a loss-making firm is turned into a profitable one
- links with natural monopoly

Reward candidates highly who respond in a technical manner, *e.g.* in terms of changes in consumer/producer surplus.

[13 marks]

Question 5 Balance of payments deficit

(a) Relevant points might include:

- definition of balance of payments
- explanation of deficit balance of payments
- depletion of foreign exchange rate reserves
- effect on exchange rate
- necessity to borrow, *e.g.* from IMF, with associated problems
- import penetration and de-industrialisation
- a balance of payments deficit as an indicator of underlying lack of competitiveness
- possible effects on monetary policy

[10 marks]

(b) Possible areas for discussion:

- import controls
- export promotion, *e.g.* through trade fares, government subsidies
- depreciation/devaluation
- domestic deflation
- supply side measures to improve efficiency

A high mark can only be awarded if the above are evaluated, *i.e.* mere description of a measure is not sufficient.

[15 marks]

Question 6 Economic growth

(a) Relevant points might include:

- distinction between growth and development
- raising of actual output towards potential output without structural change, *e.g.* recovering from a depression (use of PPF)
- significance of income distribution
- significance of HDI
- significance of HPI
- possibility of growth with increased deprivation
- importance of externalities

[12 marks]

(b) Possible areas for discussion might include:

- exposure to competitive world market forces
- comparative advantage and resource allocation
- openness to FDI and MNEs
- general arguments for freely operating markets
- vulnerability to instability of world markets
- income distribution considerations
- implications for provision of public services, *e.g.* of merit goods
- impact of externalities

[13 marks]
