International Baccalaureate®
Baccalauréat International
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MARKSCHEME

November 2013

ECONOMICS

Higher Level

Paper 1

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Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

SECTION A

Microeconomics

1.   **(a)**   **Using a price ceiling diagram, analyse the impact a maximum price might have on the market for food.**   *[10 marks]*

Answers **may** include:
*   definitions of a price ceiling or maximum price
*   an analysis of the possible impacts of a price ceiling. Shortages, inefficient resource allocation, welfare impacts, underground parallel markets and non-price rationing. A consideration of the impacts on various stakeholders
*   diagram of a market supply and demand diagram showing a maximum price as specified in the question
*   examples of markets where such price controls have been used or might be used in hypothetical situations.

Assessment Criteria

Part (a) 10 marks

Level		Marks
0	The work does not reach a standard described by the descriptors below.	**0**
1	There is little understanding of the specific demands of the question. Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	**1–3**
2	There is some understanding of the specific demands of the question. Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	**4–6**
3	There is understanding of the specific demands of the question. Relevant economic terms are defined. Relevant economic theory is explained and applied. Where appropriate, diagrams are included and applied. Where appropriate, examples are used. There are few errors.	**7–8**
4	There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined. Relevant economic theory is clearly explained and applied. Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively. There are no significant errors.	**9–10**

(b)   **Discuss the policies a government might use to make food more affordable to low income groups.**   *[15 marks]*

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.

Answers **may** include:
- definitions of identified policies and subsidies
- explanation of the use of subsidies, state provision of basic foodstuff and price controls. Diagrams to illustrate intervention, such as the use of subsidies and price ceilings
- examples of the application of the policies
- synthesis or evaluation (discuss).

Discussion **may** include: consideration of the advantages and disadvantages of the selected policies, impacts on stakeholders, short term and long term consequences.

Opinions or conclusions should be presented clearly and supported by appropriate examples.

Assessment Criteria

Part (b) 15 marks

Level   Marks

0	The work does not reach a standard described by the descriptors below.	**0**
1	There is little understanding of the specific demands of the question. Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	**1–5**
2	There is some understanding of the specific demands of the question. Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	**6–9**
3	There is understanding of the specific demands of the question. Relevant economic terms are defined. Relevant economic theory is explained and applied. Where appropriate, diagrams are included and applied. Where appropriate, examples are used. There is an attempt at synthesis or evaluation. There are few errors.	**10–12**
4	There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined. Relevant economic theory is clearly explained and applied. Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively. There is evidence of appropriate synthesis or evaluation. There are no significant errors.	**13–15**

2. **(a)** **Explain why governments impose indirect taxes.**   *[10 marks]*

Answers **may** include:
- a definition of indirect tax
- an explanation of possible reasons for the application of indirect taxes, to collect revenue, to correct externalities or discourage the consumption of demerit goods
- a diagram showing the application of an indirect tax
- examples of the use of indirect taxes.

Assessment Criteria

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There are significant errors.   **1–3**

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There are some errors.   **4–6**

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Relevant economic terms are defined.
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Where appropriate, diagrams are included and applied.
Where appropriate, examples are used.
There are few errors.   **7–8**

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Where appropriate, examples are used effectively.
There are no significant errors.   **9–10**

(b) Discuss *two* **possible government responses to threats to sustainability.** *[15 marks]*

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.

Answers **may** include:
- definition of sustainability
- an explanation of two possible policies such as legislation, carbon taxes, cap and trade schemes and funding for clean technology. A consideration of the limitations / strengths of government responses generally
- diagrams to show the application of the policies selected
- examples of the application of policies
- synthesis or evaluation (discuss).

Discussion **may** include: consideration of the advantages and disadvantages of the selected policies, impacts on stakeholders, short term and long term consequences.

Opinions or conclusions should be presented clearly and supported by appropriate examples.

Assessment Criteria

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    There are few errors.   **10–12**

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SECTION B

Macroeconomics

3.   (a)   **Explain how changes in the size of the circular flow depend on the relative size of injections and leakages.**   *[10 marks]*

Answers **may** include:
- definitions of the circular flow, injections and leakages
- an explanation of how when leakages exceed injections the size of the circular flow will diminish and the economy will tend towards recession and unemployment. An explanation of how when injections are greater than leakages the size of the circular flow will tend to increase and the economy will tend towards expansion and inflation
- a diagram of the circular flow
- examples of situations where this may have occurred or might occur.

Assessment Criteria

Part (a) 10 marks

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    Where appropriate, examples are used effectively.
    There are no significant errors.   **9–10**

(b) **Evaluate the use of national income statistics for making comparisons of the standard of living over time.**   *[15 marks]*

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.

Answers **may** include:
- definitions of national income and standard of living
- an explanation of the merits of national income statistics when used for comparisons over time. A consideration of the impact of changing output, changing price levels and the need to use real values, distribution of income, reliability of the data, the usefulness of national income as a reliable indicator of the standard of living, changing working conditions, changed life expectancy and other quality of life indicators, innovation and new products, environmental conditions, defence expenditure, size of underground economy, value of non-marketed output. A consideration of HDI as an alternative measure
- examples of how statistics might be used
- synthesis or evaluation.

Evaluation **may** be: alternative measurements, strengths and weaknesses of using national income statistics for making comparisons of the standard of living over time.

Opinions or conclusions should be presented clearly and supported by appropriate examples.

Assessment Criteria

Part (b) 15 marks

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4.   **(a)**   **Explain why measuring the rate of inflation using a consumer price index (CPI) may not be accurate.**   *[10 marks]*

Answers **may** include:
- definition of rate of inflation, consumer price index
- an explanation of why inflation rates may be difficult to measure such as the different patterns of consumption different income earners may have. Different regions may experience different rates. Data or sampling may be inaccurate
- examples of the potential inaccuracies of measuring the rate of inflation using the CPI.

A diagram is not necessary to achieve *[10 marks]*.

Assessment Criteria

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    There are no significant errors.   **9–10**

(b) **Evaluate** *two* **government policies to reduce inflation.** *[15 marks]*

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.

Answers **may** include:
- definitions of the two policies provided: fiscal policy, monetary policy, supply side policy
- an explanation of the use of fiscal policy, monetary policy or supply side policy to reduce inflation
- a diagram to illustrate the application of policies to deal with inflation
- examples to illustrate arguments
- synthesis or evaluation.

Evaluation **may** be: to make an appraisal by weighing up the strengths and limitations of the two policies discussed.

Opinions or conclusions should be presented clearly and supported by appropriate examples.

Assessment Criteria

Part (b) 15 marks

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