INTERNATIONAL BACCALAUREATE
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MARKSCHEME

May 2000

ECONOMICS

Standard Level

Paper 2

16 pages

Section A – Question 1: Trains in Argentina

			Partial Mark	Maximum Mark
(a)		Acceptable definitions of		
	(i)	privatisation (public sector assets being transferred to the private sector) vague notion accurate definition	1	**2**
	(ii)	'monopolistic character' (domination by one/few firms) vague notion accurate definition	1	**2**
(b)		They are linked as substitutes/competitive demand		**1**
(c)	(i)	Accurate axes and lines Shift left of demand curve Price falls	1 1 1	**3**
	(ii)	Give *[1 mark]* each up to a maximum of *[2 marks]* for candidates who make the following points • Because of a fall in the price of a substitute • The demand curve shifts left • Price falls/quantity supplied contracts	 1 1 1	**2**
(d)	(i)	Elastic		**1**
	(ii)	Because when price falls, TR rises Diagram showing revenue lost/gained	1 1	**2**
(e)	(i)	Give *[1 mark*] each up to a maximum of *[3 marks]* for candidates who give reasons, *e.g.* • Profit motive • Rate of return • To run a monopoly – 'easy pickings' • Other plausible reason(s) *e.g.* diversification	 1 1 1 1	**3**
	(ii)	Arguments for could include: • providing an essential public service • central coordination required • economies of scale • reduced negative externalities; affordable prices Arguments against could include: • drain on public purse • costs *etc.*		

Level 0	No valid points made	**0**
Level 1	Simple points that indicate a basic understanding	**1–2**
Level 2	Reasonable discussion with understanding and some analysis of reasons for government intervention	**3–5**
Level 3	Assessment and evaluation of arguments and counter-arguments	**6–9**

Question 2: High-Tech Growth

			Partial Mark	Maximum Mark
(a)	(i)	For a vague attempt, *e.g.* 'output of a worker'	1	
		For an accurate notion, *e.g.* efficiency of turning inputs into outputs, or efficiency of labour. land or capital	2	**2**
	(ii)	For a vague attempt, *e.g.* 'measure of inflation'	1	
		For an accurate notion, *e.g.* 'converts GDP at current prices into constant prices'	2	**2**
(b)	(i)	Give *[1 mark]* for candidates who show inflation or money wages on vertical axis and unemployment rate on horizontal axis.	1	
		Give a further *[1 mark]* for candidates who show a curve cutting horizontal axis.	1	**2**
	(ii)	Give *[1 mark]* each for candidates who make the following points:		
		The curve shows a trade off	1	
		This trade off might occur because of cost push	1	
		Or demand pull	1	
		Give up to *[3 marks]* for further explanation	3	**6**
(c)		Give up to *[2 marks]* each for candidates who explain:		
	(i)	High tech needs skilled labour	2	
	(ii)	Skilled labour shortages lead to bottlenecks (this term need not be used) – this might be counteracted by efficiency gains on the cost side	2	**4**

(d) Points that could be raised include:

- High technology:
  - makes labour more productive
  - uses hardware whose price is falling over time
  - reduces industrial costs by streamlining operations
  - increases the capabilities of workers (making it unnecessary to hire more)
  - makes industry more flexible and responsive

- Growth of previous decades was:
  - based on goods rather than services
  - (arguably) financed by unrestrained monetary policy
  - produced using less flexible labour and immobile technology

In order to enter Level 3, candidates must refer to some contrasts between the type of current growth and previous decades.

		Maximum Mark
Level 0	No valid points made	**0**
Level 1	Simple points, with at least one tentative link between technology and low inflation	**1–2**
Level 2	Reasonable analysis with several sensible links made between technology and low inflation	**3–5**
Level 3	Assessment and evaluation of arguments and counter-arguments	**6–9**

Question 3: Merit goods and public goods

(a) Key features of merit goods are: can be provided through the market but not in sufficient quantities because of: positive externalities / income distribution problems / information/foresight problems. Non-excludability and non-rivalry are the key features of public goods (unlikely to be provided through the market).

(b) Possible areas for discussion include:

- government provision of merit goods on grounds of
  - positive externalities and underprovision at the free market price
  - income distribution and lack of effective demand
  - lack of present and future information
  - danger of private monopoly power arising

- market provision of merit goods on grounds of
  - government failure
  - general arguments for market provision in terms of competition, profit motive, costs, prices, efficiency and consumer choice

- alternatives to government provision and the free market such as subsidies, maximum prices *etc.*

- arguments for state provision of public goods in terms of unlikelihood of market provision / the free-rider problem / optimal resource allocation.

Mark part (b) as a whole.
An unbalanced answer in terms of coverage of both public and merit goods can still enter the higher mark bands if at least one area is of sufficient quality.

Question 4: Price and income elasticity of demand

(a) PED determined by the availability of substitutes / degree of necessity / proportion of income accounted for by the good / habit / the time period *etc.* YED tends to be relatively high in the case of services and manufactured goods and low in the case of primary commodities. YED and normal/inferior goods.

(b) Possible areas for discussion include:

PED – relationship between price increases/decreases and total revenue, hence profits
YED– relationships between higher/lower income levels, boom/recession, and total revenue, hence profits.

Reward good use of relevant examples. Provided **some** reference is made to both types of elasticity, an unbalanced answer thoroughly dealing with one type can reach the higher bands.

Question 5: Unemployment

(a) Candidates should outline the financial, economic, social and individual costs of unemployment. Better responses might also point to the fact that unemployment is often very unequally experienced in terms of region, gender, race and age.

(b) Possible measures include:

- demand side (for cyclical unemployment)
  including
  - fiscal/budgetary
  - monetary

- supply side (for structural unemployment)
  including
  - educational/training
  - flexible working practices

Give credit for responses to other 'types' of unemployment There should be some **evaluation** to reach band 4.

Question 6: Growth rates

(a) Candidates should define economic growth and examine the various factors which may account for differential growth rates, *e.g.* natural factors, human factors, technological factors and institutional factors.

(b) Possible obstacles to be discussed include:

- institutional
- international trade
- political
- international financial, e.g. debt
- assorted others.

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**	**MAXIMUM MARK 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**