

SINGAPORE'S
#1 HOME TUITION AGENCY

.....○

Need A Home Tutor?

🌐 singaporetuitonteachers.com

☎ +65 9695 3522

Contact Us Today For A 100% Free Tutor Request!

○.....

OUR TEST PAPERS ARE:

- ✓ **COMPLETELY FREE!**
- ✓ **SOURCED FROM TOP SCHOOLS**
- ✓ **HIGH-QUALITY**
- ✓ **USED BY 10,000+ SATISFIED STUDENTS**



SINGAPORE'S #1 HOME TUITION AGENCY

Need A Home Tutor?

 singaporetuitionteachers.com

 +65 9695 3522

Contact Us Today For A 100% Free Tutor Request!

OUR TEST PAPERS ARE:

- ✓ **COMPLETELY FREE!**
- ✓ **SOURCED FROM TOP SCHOOLS**
- ✓ **HIGH-QUALITY**
- ✓ **USED BY 10,000+ SATISFIED STUDENTS**



Possible negative consequences:

- the impact of IMF conditions of reduced government spending, a reduction in subsidies, privatization and a wage freeze on development (paragraph ⑤)
- opportunity costs of servicing the debt
- IMF aid may be mismanaged (paragraph ⑥) which will have no impact on development
- the “sacrifices” (paragraph ⑥) Ghanaians have to make will be anti-developmental.

Any reasonable discussion.

Discussion **may** include more general consideration of the nature of aid, growth and development and relationships between them.

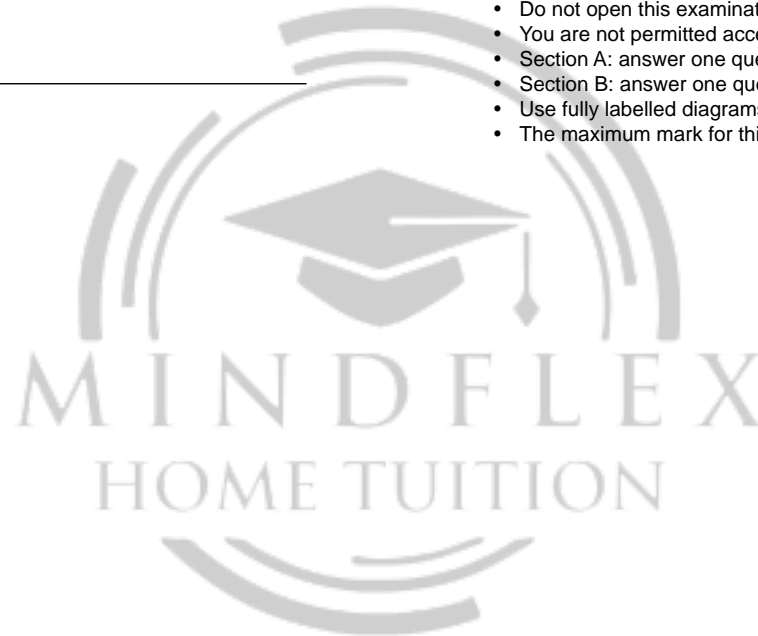
Economics
Standard level
Paper 1

Wednesday 1 November 2017 (afternoon)

1 hour 30 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- You are not permitted access to any calculator for this paper.
- Section A: answer one question.
- Section B: answer one question.
- Use fully labelled diagrams and references to examples where appropriate.
- The maximum mark for this examination paper is **[50 marks]**.



3 pages

Looking For A Home Tutor? Contact Singapore's #1 Tuition Agency @ +65 9695 3522
Available 24/7 via WhatsApp or Call :)
<https://singaporetuitonteachers.com>

8817-5110

© International Baccalaureate Organization 2017

Section A

Answer **one** question from this section.

Microeconomics

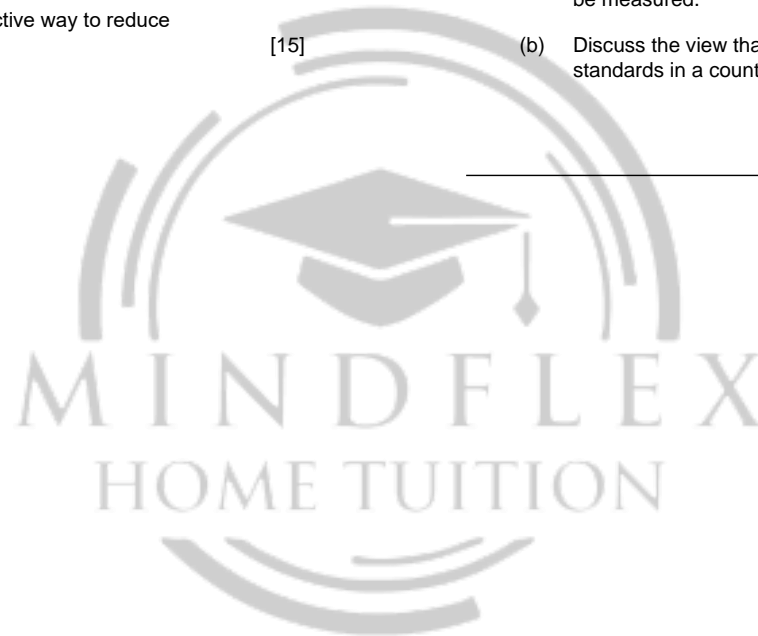
1. (a) Explain why governments provide subsidies for some goods and services. [10]
(b) Discuss the consequences of providing a subsidy for goods such as agricultural products. [15]
2. (a) Explain how an increase in the price of air travel might affect the demand for its complements **and** its substitutes. [10]
(b) Evaluate the view that the use of regulation is the most effective way to reduce negative externalities. [15]

Section B

Answer **one** question from this section.

Macroeconomics

3. (a) Explain why structural unemployment may occur in an economy. [10]
(b) Discuss the view that the best way to reduce unemployment is through education and training. [15]
4. (a) With reference to the income, output and expenditure approaches, explain how the real gross national product (GNP)/gross national income (GNI) per capita of a country can be measured. [10]
(b) Discuss the view that a rise in the GNP/GNI per capita will always lead to a rise in living standards in a country. [15]





Markscheme

November 2017

Economics

Standard level

Paper 1



This markscheme is the property of the International Baccalaureate and must **not** be reproduced or distributed to any other person without the authorization of the IB Global Centre, Cardiff.



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

- (b) Discuss the consequences of providing a subsidy for goods such as agricultural products.

[15]

Section A

Microeconomics

1. (a) Explain why governments provide subsidies for some goods and services. [10]

Answers **may** include:

- definition of subsidies
- diagram(s) to show the application of subsidies to a market and reasons to apply a subsidy such as merit goods
- explanation of why governments apply subsidies and a consideration of how subsidies influence the market and society in terms of welfare, such as making goods more affordable for low income households
- examples of the application of subsidies.

Answers **may** include:

- definition of subsidy
- diagram(s) to show the impact of a subsidy
- explanation of the consequences that the provision of a subsidy might have in terms of price to the consumer, price to the producer, resource allocation and cost to the government
- examples of consequences that might follow or have followed from the application of a subsidy
- synthesis or evaluation (discuss).

Discussion **may** include: opportunity cost to the government of paying for subsidies, how subsidies may be applied inefficiently and how subsidies might distort markets in the long run.

Assessment Criteria

Part (a) 10 marks

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i>	1–3
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	<i>There is some understanding of the specific demands of the question.</i>	4–6
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	<i>There is understanding of the specific demands of the question.</i>	7–8
	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.	
4	<i>There is understanding of the specific demands of the question.</i>	9–10
	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.	

Assessment Criteria

Part (b) 15 marks

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i>	1–5
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	<i>There is some understanding of the specific demands of the question.</i>	6–9
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	<i>There is understanding of the specific demands of the question.</i>	10–12
	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.	
4	<i>There is understanding of the specific demands of the question.</i>	13–15
	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.	

2. (a) Explain how an increase in the price of air travel might affect the demand for its complements **and** its substitutes.

[10]

Answers **may** include:

- definitions of demand, complements and substitutes
- diagram(s) to show changes in demand for complements and substitutes
- explanation that a rise in the price of air travel might lead to a fall in demand for its complements and a rise in demand for its substitutes
- examples of complements and substitutes for air travel.

N.B.: Many student mention XED but this is not required to achieve full marks.

Assessment Criteria

Part (a) 10 marks

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i>	1–3
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	<i>There is some understanding of the specific demands of the question.</i>	4–6
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	<i>There is understanding of the specific demands of the question.</i>	7–8
	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.	
4	<i>There is understanding of the specific demands of the question.</i>	9–10
	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.	

- (b) Evaluate the view that the use of regulation is the most effective way to reduce negative externalities.

[15]

Answers **may** include:

- definitions of regulation and negative externalities
- diagram(s) to show the impact of regulation on negative externalities
- explanation of how regulation reduces negative externalities. An example of this might be a regulation on producers to produce a good in way that reduces pollution. example(s) of regulations used to reduce negative externalities
- synthesis or evaluation.

Evaluation **may** include: the benefits of using regulation to deal with negative externalities such as direct effect on externalities and relative ease of application. It may also include the problems of using regulations such as: managing the regulation, increasing the price of the good produced and the negative impact on employment in the regulated industry. It may also consider alternatives to regulation such as taxes.

Assessment Criteria

Section B

Part (b) 15 marks

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i> Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	1–5
2	<i>There is some understanding of the specific demands of the question.</i> Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	6–9
3	<i>There is understanding of the specific demands of the question.</i> 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	<i>There is understanding of the specific demands of the question.</i> 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

Macroeconomics

3. (a) Explain why structural unemployment may occur in an economy.

[10]

Answers may include:

- definitions of unemployment and structural unemployment
- diagram to show the decline in employment caused by structural factors such as a fall in demand for labour in a particular market
- explanation of how the structural changes in the economy, such as capital replacing labour in a market, lead to unemployment because workers do not have the skills or geographical mobility to get a new job quickly
- examples of where structural changes in the economy lead to structural unemployment.

Assessment Criteria

Part (a) 10 marks

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i>	1–3
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	<i>There is some understanding of the specific demands of the question.</i>	4–6
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	<i>There is understanding of the specific demands of the question.</i>	7–8
	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.	
4	<i>There is understanding of the specific demands of the question.</i>	9–10
	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.	

- (b) Discuss the view that the best way to reduce unemployment is through education and training.

[15]

Answers **may** include:

- definition of unemployment
- diagram to show how education and training reduces unemployment such as an increase in the supply of available labour increasing employment and LRAS shifting to the right explanation that education and training increases the skill level of unemployed workers and increases their opportunities for employment
- examples of where education and training has reduced unemployment
- synthesis or evaluation (discuss).

Discussion **may** include: consideration of how education and training might be appropriate for structural unemployment, but might not be as effective with demand-deficient and frictional unemployment. There could be consideration of the cost and effectiveness of government run education and training. There could also be consideration that alternative policies are more effective than education and training in reducing certain types of unemployment.

Assessment Criteria

Part (b) 15 marks

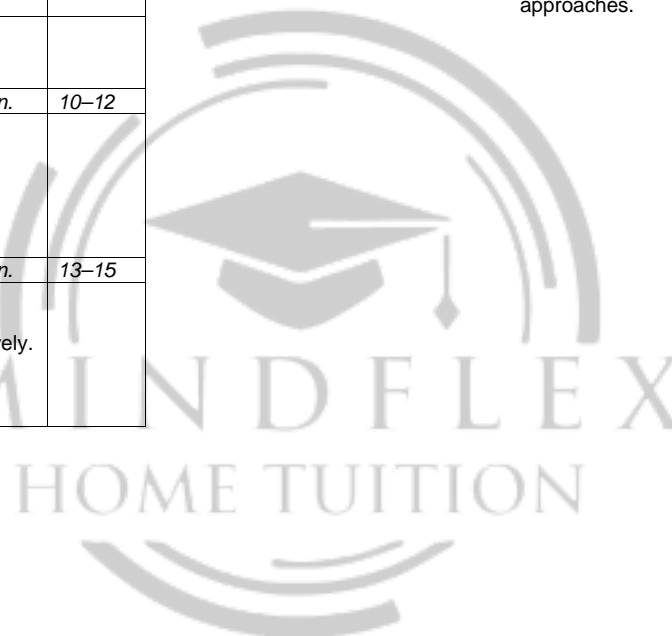
Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i> Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	1–5
2	<i>There is some understanding of the specific demands of the question.</i> Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	6–9
3	<i>There is understanding of the specific demands of the question.</i> 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	<i>There is understanding of the specific demands of the question.</i> 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

4. (a) With reference to the income, output and expenditure approaches, explain how the real gross national product (GNP)/gross national income (GNI) per capita of a country can be measured.

[10]

Answers **may** include:

- definitions of real GNP/GNI per capita, income, output and expenditure approaches
- diagram to show the circular flow of income
- explanation of how the income, output and expenditure approaches are used to calculate GDP and adding net property income gives GNI/GNP. This is adjusted to get real GNP/GNI per capita by allowing for inflation and population
- examples of the components of the income, output and expenditure approaches.



Assessment Criteria

Part (a) 10 marks

Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i>	1–3
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	<i>There is some understanding of the specific demands of the question.</i>	4–6
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	<i>There is understanding of the specific demands of the question.</i>	7–8
	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.	
4	<i>There is understanding of the specific demands of the question.</i>	9–10
	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.	

- (b) Discuss the view that a rise in the GNP/GNI per capita will always lead to a rise in living standards in a country.

[15]

Answers **may** include:

- definition of living standards
- diagram(s) of AD/AS, PPC
- explanation that a rise in GNP/GNI per capita leads to rising real incomes, better public services and rising employment which leads to rising living standards
- examples of where rising GNP/GNI per capita leads to rising living standards
- synthesis or evaluation (discuss).

Discussion **may** include: consideration of how rising GNP/GNI per capita might lead to situations that have a negative impact on living standards such as negative externalities and widening income inequality. It is also difficult to assess rising living standards because it is affected by non-monetary factors. It may also be argued that a rise in GNP/GNI per capita can be accompanied by inflation, reducing the potential rise in living standards.

Assessment Criteria

**Economics
 Standard level
 Paper 2**

Part (b) 15 marks

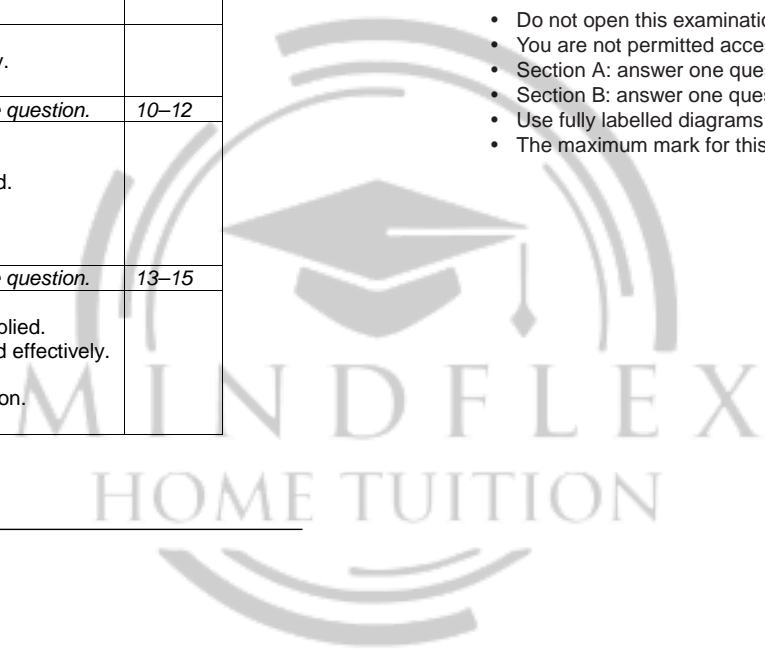
Level		Marks
0	<i>The work does not meet a standard described by the descriptors below.</i>	0
1	<i>There is little understanding of the specific demands of the question.</i>	1–5
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	<i>There is some understanding of the specific demands of the question.</i>	6–9
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	<i>There is understanding of the specific demands of the question.</i>	10–12
	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.	
4	<i>There is understanding of the specific demands of the question.</i>	13–15
	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.	

Thursday 2 November 2017 (morning)

1 hour 30 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- You are not permitted access to any calculator for this paper.
- Section A: answer one question.
- Section B: answer one question.
- Use fully labelled diagrams and references to the text/data where appropriate.
- The maximum mark for this examination paper is **[40 marks]**.



Section A

Answer **one** question from this section.

1. Study the extract below and answer the questions that follow.

Removed for copyright reasons



Removed for copyright reasons

2. Study the extract below and answer the questions that follow.

Removed for copyright reasons



Removed for copyright reasons

Section B

(Question 3 continued)

Answer **one** question from this section.

3. Study the extract and data below and answer the questions that follow.

Ethiopia

- ❶ Ethiopia has the second-highest population in Sub-Saharan Africa, with a population of 96.9 million, and a fairly high population growth rate of 3%. Ethiopia is also one of the world's poorest countries. The country's gross domestic product (GDP) per capita is substantially lower than the regional average.
- ❷ However, the economy has experienced strong economic growth over the past decade, more than double the regional average of 5.3%. Currently, agriculture is the major sector of the economy: 80% of the labour force is engaged in agriculture and it contributes about 50% to the nation's GDP.
- ❸ The World Bank says that Ethiopia needs to diversify its economy so that more employment is generated by the manufacturing sector. Although small scale enterprises are doing well, their rapid growth is negatively affected by many obstacles. Access to credit is very difficult, and so domestically funded **investment** is hard to achieve, causing a significant investment gap. There are also problems with the provision of infrastructure like electricity, telecommunications and access to roads, particularly in rural areas.
- ❹ The government has been encouraging foreign direct investment from **multinational corporations (MNCs)** to attempt to solve some of Ethiopia's economic problems and to break the poverty cycle. Much of the investment has come from China, whose total investment in the country has reached almost US\$17 billion.
- ❺ China has established Ethiopia as one of its six "special economic zones" in Africa. The two countries have signed five cooperation deals relating to technologies, electric power, finance, energy and aviation.
- ❻ Last year, the Huajian Group, a Chinese shoe manufacturer, announced a US\$2.2 billion investment plan in Ethiopia. They intend to set up an industrial zone, which is expected to contain approximately 45 textile and garment, leather and leather-products, chemical and pharmaceuticals, agricultural-processing and metal engineering factories. In the first year of the project, there should be 3000 jobs created. By the end of the project, approximately 30 000 workers are expected to find employment there.
- ❼ Worries exist in Ethiopia about the country's large trade imbalance with China and the influx of Chinese goods – China accounts for 21% of total imports into the country but only 11% of Ethiopia's exports go to China. There are also concerns relating to the over-use of resources.



- (a) (i) Define the term *investment* indicated in bold in the text (paragraph ❸). [2]
- (ii) Define the term *multinational corporations (MNCs)* indicated in bold in the text (paragraph ❹). [2]
- (b) Using a poverty cycle diagram, explain how investment from abroad might "break the poverty cycle" (paragraph ❹). [4]
- (c) Using data from **Figure 1**, explain why there is a difference between Ethiopia's HDI world ranking and its GNI per capita world ranking. [4]
- (d) Using information from the text/data and your knowledge of economics, evaluate the possible impact on the Ethiopian economy of the foreign direct investment from China. [8]

[Source: © International Baccalaureate Organization 2017]

(This question continues on the following page)

4. Study the extract below and answer the questions that follow.

(Question 4 continued)

Aid to Papua New Guinea (PNG)

- 1 A group of Australian politicians is visiting Papua New Guinea (PNG), a former colony, to see first-hand where Australia's AU\$477 million in foreign aid is being used. The aid is being spent on women and children who are crime victims, immunizations for young children to protect them from diseases such as polio, efforts to eradicate tuberculosis, provision of free education for girls, pre-school and early learning, and training for the next generation of PNG police officers. There is a lot of aid money being spent but it is making very little difference.
- 2 Though PNG is close to Australia, it is very far away in terms of economic development. One non-governmental organization (NGO), Save the Children, reported that "the level of need in PNG is astonishing. Children are far more likely to die before their fifth birthday here in PNG than most other places in the world. There is a huge amount of violence against women and children". The value of its Human Development Index (HDI) is 0.466, ranking it 156 out of 187 countries.
- 3 One of the Australian politicians is concerned that corruption is so widespread that it is preventing efforts to get PNG's educational, health and justice systems to operate effectively. "Make no mistake, there are many problems, including problems with security, family violence and many other socio-economic concerns," he said. "However, I think corruption is the largest issue confronting the challenges of PNG. You have to question whether you can address these issues without dealing with the issue of corruption first."
- 4 "These challenges cannot be met without a system of government that is functioning properly. This is a society that has been propped up by aid and the actions of NGOs. The government simply does not work."
- 5 Another member of the visiting group thinks improving agricultural productivity is a way forward for PNG economically and socially, with great potential for **economic growth**. A project spokesperson said that increased foreign aid could lift productivity and improve growth, by assisting PNG farmers to improve irrigation* and supply routes. He also said that research and development, in addition to training local farmers could help. Another project that the group is visiting runs a programme to encourage women to be more involved in decision-making in the growing and selling of coffee, a crop that is important to the PNG economy.
- 6 The leader of the visiting group says that "our aid money here should ensure that more children are born in environments with supervised medical care, and that there is a police and justice system that protects the rights of children. Children should have the right to be free from violence and free from sexual assault, and should have access to the great transformative power of education".

- (a) (i) List **two** components of the Human Development Index (HDI) (paragraph 2). [2]
- (ii) Define the term *economic growth* indicated in bold in the text (paragraph 5). [2]
- (b) Using a demand and supply diagram, explain how the market for coffee in Papua New Guinea could be affected by improved irrigation (paragraph 5). [4]
- (c) Using an externalities diagram, explain why the introduction of free education for girls corrects a market failure (paragraph 3). [4]
- (d) Using information from the text/data and your knowledge of economics, evaluate the role of foreign aid in contributing to economic development in Papua New Guinea. [8]

[Source: Ellen Whinnet, "PNG: Where Foreign Aid Barely Scratches the Surface", *Herald Sun*, 14 August 2015]

* irrigation: a method for regularly supplying water to plants. It is used to assist in the growing of agricultural crops particularly during periods of low rainfall.

(This question continues on the following page)