ECONOMICS

Higher Level

PAPER 1 and 2

April 2018 (morning)

95 minutes (including 5 minutes reading time)

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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 **[45 marks]**.

Please note:

• Time yourself carefully during the examination. Poor timing is the most common error students make on answering questions in an examination.

• Please answer Section A and Section B on **separate** sheets of paper and leave a margin on your answer sheets.

November 2015 subject reports

Economics

Overall grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 13	14 - 26	27 - 37	38 - 49	50 - 63	64 - 75	76 - 100

Higher level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 7	8 - 14	15 - 18	19 - 24	25 - 31	32 - 37	38 - 50

November 2015 subject reports   Group 3, Economics

Higher level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 5	6 - 10	11 - 13	14 - 18	19 - 24	25 - 29	30 - 40

Section A

Answer one question from this section.

Microeconomics

1.

(a) Explain why changes in the price of goods and services may lead to changes in resource allocation. *[10 marks]* (Nov 2016 SL)

2. **(a)** Explain why changes in the price of goods and services may lead to changes in resource allocation. **[10]**

*Answers **may** include:*
- definitions of resource allocation, market, demand, supply
- diagram of market supply and demand to show how price changes produced by shifts in supply or demand lead to changes in output
- explanation of the signalling and incentive functions of price, and how changes in equilibrium price lead to resource reallocation
- examples of markets where this has happened.

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

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(b) Examine the consequences of the lack of a pricing mechanism for common access resources. *[15 marks]* (Nov 2016 SL)

(b)   Examine the consequences of the lack of a pricing mechanism for common access resources.   **[15]**

*Answers **may** include:*
- definitions of common access resources, pricing mechanism
- diagrams to show demand and supply when there is a pricing mechanism; market failure (negative production and consumption externalities); PPC shifting inward due to loss of common access resources
- explanation of market failure of common access resources, non-excludability, diminishability, rivalry, overconsumption, lack of ownership rights
- examples of overfishing, deforestation, tragedy of the commons
- synthesis or evaluation (examine).

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.

Examination **may** include: the need for government intervention, impact on different stakeholders, consideration of the impact of government intervention, implications of resource depletion.

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

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

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**

Note: Examiner Comments not available for question 1.

2.

(a) Explain three factors that could lead to an increase in demand for cigarettes.
[10 marks]

(May 2014 SL)

– 3 –   M14/3/ECONO/SP1/ENG/TZ2/XX/M

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

SECTION A

Microeconomics

1. (a) Explain *three* factors that could lead to an increase in demand for cigarettes.   [10 marks]

Answers may include:
- definition of demand
- diagram showing a rise in the demand for cigarettes
- an explanation of three of the possible factors that could increase the demand for cigarettes such as a rise in consumer income, promotion or advertising of cigarettes by producers and population or demographic changes
- examples to support the explanations of a rise in demand for cigarettes.

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 three policies a government might use to reduce the consumption of a demerit good such as cigarettes. [15 marks] (May 2014 SL)

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(b) Discuss *three* policies a government might use to reduce the consumption of a demerit good such as cigarettes. [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 a demerit good and negative consumption externalities
- diagram to show the negative externalities of cigarette consumption
- an explanation of why cigarettes are considered a demerit good, the disadvantages to the consumer of cigarette consumption, the policies a government might use to reduce the consumption of cigarettes including: indirect tax, regulation, negative advertising, price controls and education. Explanation of the negative externalities associated with the consumption of cigarettes
- examples of three policies used to reduce cigarette consumption
- synthesis or evaluation (discuss).

Command term
"Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments.

Discussion **may** include: consideration of the problems encountered by the government policies.

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

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

N.B. Award a maximum of level 3 if only two policies are discussed.
Award a maximum of level 2 if only one policy is discussed.

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**

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Examiner Comments for Question 2:

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

(a) This was a popular question. Candidates were often able to identify the two reasons for imposing taxes as raising revenue and to discourage consumption. The depth of explanation was often poor with candidates either unable to draw accurate diagrams showing a shift to the left of the supply curve or not being able to show areas of revenue accurately. Often one reason was explained in more detail than the other and this was usually the reference to demerit goods and discouraging consumption.

(b) There was a good deal of repetition from part (a) as cigarettes were often used as an example in the first part. Often this answer was quite descriptive and lacked application of economic concepts. Appreciation of negative externalities of consumption was quite common but the incidence of taxation and PED, amongst other concepts were, unfortunately, the exception rather than the rule. In addition the evaluation tended to be limited and candidates rarely questioned the likelihood of the factors actually happening. For example, candidates would state that the consumer would pay more and so the demand would fall, with little consideration of how much it would fall. In addition, they could have mentioned different types of consumers like teenagers, or long-standing smokers to really assess the possible impact on each group.

Section B

Answer one question from this section.

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

African Development Bank (AfDB) promotes improved access to water, sanitation and health services in rural and urban Uganda

(1) The AfDB and the Government of Uganda signed two agreements recently to finance projects to improve health services and access to water and sanitation, in urban and rural areas of Uganda. The projects will cost US$155.8 million and are expected to boost the country's efforts to meet the 2015 Millennium Development Goals for health, water and sanitation.

(2) Uganda's National Development Plan identifies the provision of improved health services as well as adequate water supply and improved sanitation as key priority areas. "Investing in human development is crucial to economic growth and reducing poverty" said a government official. "So is the provision of adequate quantity and quality of water for all social and economic needs, for current and future generations."

(3) Up to 2.4 million people in rural areas and small towns across Uganda should have improved access to water supply and sanitation by 2016 following the AfDB's approval of US$67 million. This supports Uganda's national goal to increase access to water supply and sanitation services to 100 % coverage by 2035.

(4) Furthermore, access to quality and affordable health care services for the Kampala and metropolitan area will be improved. Immediate project beneficiaries are estimated at 3 million people, the majority being women and children under 15 years of age.

(5) The AfDB Vice-President said: "The AfDB and Uganda have been partners in several development areas and the AfDB will continue to work with the Government of Uganda in its efforts to improve the economic and social wellbeing of the people of Uganda."

[Source: http://www.afdb.org/en/news-and-events/article/afdb-promotes-improved-access-to-water-sanitation-and-health-services-in-rural- and-urban-uganda-8771/]

(a)   (i) List two of the Millennium Development Goals (MDGs) *(paragraph 1)*. *[2 marks]*

(ii) Define the term *economic growth* indicated in bold in the text *(paragraph 2)*. *[2 marks]*

4. (a) (i) List *two* of the Millennium Development Goals (MDGs) *(paragraph ❶).* *[2 marks]*

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	**0**
1	*There is limited understanding.* One goal is stated **or** two goals are partially stated.	**1**
2	*There is clear understanding.* Two of the following goals are listed: - eradicate extreme poverty and hunger - achieve universal primary education - promote gender equality and empower women - reduce child mortality - improve maternal health - combat HIV/AIDs, malaria and other diseases - ensure environmental sustainability - develop a global partnership for development.	**2**

(ii) **Define the term *economic growth* indicated in bold in the text** *(paragraph ❷).* *[2 marks]*

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	**0**
1	*Vague definition.* The idea that it is a growing economy (or an increase in GDP).	**1**
2	*Accurate definition.* An explanation that it is an increase in the value of real output (over time). Or, an explanation that it is an increase in real GDP. Note: the term "over time" is not necessary for 2 marks.	**2**

(b) Using a demand and supply diagram, explain how the AfDB projects will lead to more "affordable health care services" (paragraph 4). *[4 marks]*

(b) **Using a demand and supply diagram, explain how the AfDB projects will lead to more "affordable health care services"** *(paragraph ❹).*   *[4 marks]*

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	0
1	*There is a correct diagram **or** an accurate written response.* For drawing a correctly labelled market diagram showing an increase in supply (rightward shift) of health care services resulting in more services at a lower price **or** for explaining that the increased spending on health care services will increase the supply of services leading to an increase in quantity at a lower price resulting in "affordable health care services".	1–2
2	*There is a correct diagram **and** an accurate written response.* For drawing a correctly labelled market diagram showing an increase in supply (rightward shift) of health care services resulting in more services at a lower price **and** for explaining that the increased spending on health care services will increase the supply of services leading to an increase in quantity at a lower price resulting in "affordable health care services".	3–4

Candidates who incorrectly label diagrams can be rewarded with a maximum of *[3 marks].* The use of P and Q on the axes is sufficient for a demand and supply diagram. A title is not necessary.

(c) With reference to a poverty trap (poverty cycle), explain how "investing in human development is crucial to ... reducing poverty" (paragraph 2). *[4 marks]*

(c) **With reference to a poverty trap (poverty cycle), explain how "investing in human development is crucial to … reducing poverty"** *(paragraph ❷).*   *[4 marks]*

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	0
1	*The written response is limited.* An explanation that a poverty trap is an inability to invest in physical, human and natural capital due to low savings or income, forming a self-perpetuating cycle (which may be illustrated by the use of a poverty cycle diagram) **or** an explanation that in this case, investing in human capital through improvements in health and sanitation provides the intervention needed to break out of the cycle, by raising productivity and thus incomes, reducing poverty.	1–2
2	*The written response is accurate.* An explanation that a poverty trap is an inability to invest in physical, human and natural capital due to low savings or income, forming a self-perpetuating cycle (which may be illustrated by the use of a poverty cycle diagram) **and** an explanation that in this case, investing in human capital through improvements in health and sanitation provides the intervention needed to break out of the cycle, by raising productivity and thus incomes, reducing poverty.	3–4

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(d) Using information from the text/data and your knowledge of economics, evaluate the likely effectiveness of the AfDB and Ugandan government projects in promoting economic development (paragraph 1).
[8 marks]
(May 2014 SL)

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	0
1	*Few relevant concepts are recognized.* There is basic knowledge/understanding.	1–2
2	*Relevant concepts are recognized and developed in reasonable depth.* There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3	*Relevant concepts are recognized and developed in reasonable depth.* There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

Command term
"Evaluate" requires candidates to make an appraisal by weighing up the strengths and limitations.

Responses may include:
- definition of economic development
- possibility that corruption might prevent the projects from meeting targets
- the need for good governance to ensure that development objectives are met
- the benefits of improved health of women to empower women; "immediate project beneficiaries are estimated at 3 million people, the majority being women and children under 15 years of age" *(paragraph ❹)*
- proposals conform to the existing National Development Plan *(paragraph ❷)*
- targeting both urban and rural areas may increase the likely effectiveness
- explanation as to how US$155.8 million will "boost" efforts to meet health water and sanitation goals *(paragraph ❶)*
- discussion regarding the challenges of breaking the poverty cycle
- discussion regarding improved health, sanitation and water infrastructure leading to growth which can lead to development
- discussion of projects in context of relevant millennium development goals
- discussion of projects in terms of external benefits/merit goods
- role of NGO's in helping achieve MDG's
- discussion of criteria in awarding contracts in these key priority areas.

Any other appropriate response.

Examiner Comments (note that on the IBO exam the question was numbered '4'.

Question 4

(a)(i) The MDGs are very specific, *i.e.* eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDs, malaria and other diseases, ensure environmental sustainability, develop a global partnership for development. Many candidates were vague in their responses, listing things like "improve poverty" or "improve education". More worryingly, many candidates were completely unaware of the existence of MDGs. This is an area in need of attention.

(a)(ii) Generally well answered, most candidates were aware that it is an increase in the value of real output (real GDP). Lower achieving candidates omitted the concept of 'real'.

(b) This was generally well answered, with the majority of candidates drawing a diagram showing an increase in the supply of health care services. They then explained that the increased spending on health care services would increase the supply, leading to an increase in quantity demanded and supplied at a lower price, resulting in "affordable health care services". Lower achieving candidates shifted the demand

curve, suggesting that the AfDB expenditure was an increase in demand for health care services.

(c) This question was not answered well, with a significant number of candidates clearly having no idea what a poverty trap (poverty cycle) was, and so failing to gain any marks. This is an obvious topic that centres must cover in the future. Candidates who were aware of the concept defined a poverty trap and gave an example, the most common being low incomes, leading to low saving, leading to low investment, leading to low productivity, leading back to low incomes. They then explained how investing in human development could break the poverty cycle because, in this case, improvements in health and sanitation would raise productivity and thus incomes, reducing poverty. A number of different poverty cycles were offered and explained and, if appropriate, were fully rewarded.

(d) Higher achieving candidates defined economic development and then considered the possible advantages and disadvantages of the projects in the light of aiding or hindering development. Having done this, using information from the text, they then concluded by making a considered decision regarding the likely effectiveness of the projects based upon the relative strengths and weaknesses that they had identified. Lower achieving candidates tended to simply restate the text in terms of what the projects were, without considering the possible economic consequences of the projects, or their likely effectiveness.

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

Democratic Republic of Congo – development affected by conflict

(1) The Democratic Republic of the Congo (DRC) is a nation with many natural resources. It is slowly recovering after decades of decline. Corruption since independence in 1960, combined with political instability and con ict that began in the mid 1990s, has dramatically affected national output and government revenue.

(2) Much economic activity occurs in the **informal sector**. However, activity in the mining sector, the source of most export income, has boosted the government's scal position and **gross domestic product (GDP)** growth in recent years. Mining companies are exploiting the large reserves of copper, diamonds and gold, in particular Chinese companies. In 2012, 53 % of DRC exports went to China.

(3) The greatest challenge confronting the DRC is con ict. The con ict is due to rival groups ghting to control the country's resources. Five million people have died. More than 90 % of those who died were indirect victims of violence – in other words these were people made homeless by violence who then died due to diarrhoea, malaria and pneumonia. The Human Development Index (HDI) value for the DRC was 0.304 in 2012, which was the lowest ranking in the world.

(4) However, there is hope. The DRC provides 80 % of the minerals used to make satellites and mobile phones (cell phones) and it has the agricultural potential to feed the rest of Africa. It has also averaged more than 6 % annual growth in GDP since 2004 and the World Bank has forecast economic growth of 9.6 % in 2012, with even higher growth in 2013.

(5) To add to the DRC's challenges there has been more forest clearance in the Congo Basin since 2010, much of it for palm-oil plantations. Annual rates of deforestation in the Congo Basin have doubled since 1990, according to a new study. This study lists population growth, migration, economic development and global demand for natural resources as the major pressures on the forests.

[Source: adapted from https://cia.gov/library/publications, accessed 28 July 2013; http://cifor.org/mediamultimedia, accessed 28 July 2013; http://newscientist.com, accessed 28 July 2013 and http://www.spyghana.com, accessed 28 July 2013]

      (a)   (i) Define the term *informal sector [black market]* indicated

in bold in the text (paragraph 2). *[2 marks]*

3. (a) (i) Define the term *informal sector* indicated in bold in the text (paragraph ❷). **[2]**

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	**0**
1	*Vague definition.* The idea that it is unrecorded (illegal/not taxed) economic activity.	**1**
2	*Accurate definition.* For explaining that it is economic activity that is unrecorded (illegal/not taxed) plus any **one** of the following: • in national income accounts • by the government (authorities) • a suitable example, *eg* moonlighting.	**2**

(ii) Define the term *gross domestic product (GDP)* indicated in bold in the text (paragraph 2). *[2 marks]*

(ii) Define the term *gross domestic product (GDP)* indicated in bold in the text (paragraph ❷). **[2]**

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	**0**
1	*Vague definition.* The idea that it is the output produced in an economy.	**1**
2	*Accurate definition.* An explanation that it is the total value of all goods and services produced in an economy (in a given time period). **OR** An explanation that it is the sum of consumption, investment, government spending and net exports.	**2**

(b) Explain why the Human Development Index (HDI) is

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considered to be a useful indicator of economic
development (paragraph 3). *[4 marks]*

(b) Explain why the Human Development Index (HDI) is considered to be a useful
     indicator of economic development (paragraph ❸).   **[4]**

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	**0**
1	*The written response is limited.* Gives all elements of the HDI: • life expectancy (at birth) • mean years of schooling **and/or** expected years of schooling • GNI per capita (PPP US$) **or** explains that the HDI is a composite index and includes indicators of health, education and income that shows development and so is considered to be a useful indicator of economic development.	**1–2**
2	*The written response is accurate.* Gives all elements of the HDI: • life expectancy (at birth) • mean years of schooling **and/or** expected years of schooling • GNI per capita (PPP US$) **and** explains that the HDI is a composite index and includes indicators of health, education and income that shows development and so is considered to be a useful indicator of economic development.	**3–4**

Candidates who correctly describe one element of the HDI should be awarded [0]
out of [2].

Candidates who correctly describe two elements of the HDI should be awarded
[1] out of [2].

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(c) Using an externalities diagram, explain how the establishment of palm-oil plantations could lead to market failure in the Democratic Republic of the Congo (DRC) (paragraph 5). *[4 marks]*

(c) Using an externalities diagram, explain how the establishment of palm-oil plantations could lead to market failure in the Democratic Republic of the Congo (DRC) (paragraph ❺). **[4]**

| Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	**0**
1	*There is a correct diagram **or** an accurate written response.* For drawing a correctly labelled diagram showing a negative externality of production with MSC above MPC **or** for explaining that the production of more palm-oil creates external costs (or negative externalities) resulting in any **one** of the following: • a misallocation of resources • a situation where the market is operating at a level where MSC>MSB (the product is being over-supplied) • a situation where the market is operating at a level that is not socially efficient (MSC≠MSB) • a situation where there is a welfare loss to society.	**1–2**
2	*There is a correct diagram **and** an accurate written response.* For drawing a correctly labelled diagram showing a negative externality of production with MSC above MPC **and** for explaining that the production of more palm-oil creates external costs (or negative externalities) resulting in any **one** of the following: • a misallocation of resources • a situation where the market is operating at a level where MSC>MSB (the product is being over-supplied) • a situation where the market is operating at a level that is not socially efficient (MSC≠MSB) • a situation where there is a welfare loss to society. Welfare loss does not need to be mentioned. However, if the candidate mentions welfare loss and shades an area that is not correct then full marks cannot be awarded. There must be two output levels shown for full marks, but there does not need to be two prices shown.	**3–4**

Candidates who incorrectly label diagrams can be rewarded with a maximum of [3].

The y axis may be labelled price but could be costs or benefits and the x axis labelled quantity.
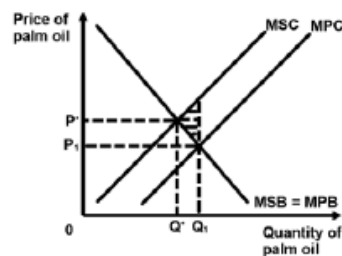
(d) Using information from the text/data and your knowledge of economics, discuss the extent to which economic growth has led to economic development in the Democratic Republic of the Congo (DRC). *[8 marks]* (Nov 2015 SL)

(d) Using information from the text/data and your knowledge of economics, discuss the extent to which economic growth has led to economic development in the Democratic Republic of the Congo (DRC). [8]

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	*The work does not reach a standard described by the descriptors below.*	0
1	*Few relevant concepts are recognized.* There is basic knowledge/understanding.	1–2
2	*Relevant concepts are recognized and developed in reasonable depth.* There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3	*Relevant concepts are recognized and developed in reasonable depth.* There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

Command term
"Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Responses may include:
- definitions of economic growth and economic development
- explanation of how growth can lead to development
- discussion of how growth may not lead to development
- recognition that growth has not led to development or has led to minimal development in DRC
  - DRC's HDI value remains the lowest
  - corruption as a barrier to development (paragraph ❶)
  - informal sector reduces capacity for government to collect tax (paragraph ❷)
  - role of conflict in undermining economic development (paragraph ❸)
  - potential for GDP to exceed GNI/GNP meaning profits repatriated by MNCs in mining industry rather than reinvested back into the DRC economy
  - impact of negative externalities of mining and deforestation on development (paragraph ❺)
- growth has not resulted in sufficient government revenue to improve health care for those displaced by "violence who then died due to diarrhoea, malaria and pneumonia" (paragraph ❸)
- increased activity in the mining sector may increase government revenues and improve the opportunity for development in the future (paragraph ❷).

Any reasonable discussion.

Examiner Comments (Note that this question was numbered '3' on the IBO paper)

Question 3

(a) (i) This question was surprisingly poorly answered, with many candidates clearly not familiar with the term at all. However, most candidates gained a mark by a vague response stating that it was related to unrecorded / illegal / untaxed economic activity.

(ii) A well answered question, with most candidates explaining that it is the total value of all goods and services produced in an economy in a given time period. Lower achieving responses excluded the term "value", or failed to mention that it was goods and services.

(b) Higher achieving candidates defined economic development, stressing the importance of economic and non-economic factors, including health and education, and then went on to explain that the HDI is a composite index covering a range of development

indicators and so is a useful gauge of development. A surprising number of candidates were unable to give the most recent educational components of the HDI, *ie* mean years of schooling and expected years of schooling, and supplied dated and so incorrect components.

(c) This was generally well answered. Higher achieving candidates produced a diagram showing negative externalities of production and explained that the over-production of palm-oil would result in a socially inefficient level of output, where MSC>MSB. Lower achieving responses were confused in drawing the diagram and there was much incorrect labelling relating to the MSC, MPC and MSB curves. The area of welfare loss was often shown incorrectly.

(d) Higher achieving candidates defined economic growth and economic development at the outset and then identified parts of the text that suggested that economic growth was being achieved, such as the mining sector exports, agricultural potential, and forecast growth rates. They then discussed the likelihood of this growth leading to development in the DRC, considering barriers to development from the text, such as corruption, political instability, conflict, and other problems resulting from these.

The main weakness, as usual, was that some candidates tended not to focus on the specific question, but wrote in a general way about ways to achieve economic development through government growth, or not. This led to very theoretical responses, which only achieved level 2 in the markscheme at best.