

## Essays

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N14/3/ECONO/HP1/ENG/TZ0/XX/M

### SECTION B

#### Macroeconomics

3. (a) **Distinguish between structural and demand-deficient unemployment.** [10 marks]

Answers **may** include:

- definitions of structural and demand-deficient unemployment
- diagram(s) to illustrate the different types of unemployment
- an explanation of structural unemployment and demand-deficient unemployment drawing out the key differences
- examples of structural unemployment *eg* declining industry and demand-deficient unemployment in a recession.

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- (b) **Discuss the view that the problem of unemployment can be reduced through the use of supply-side policies.** [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 supply-side policies and unemployment
- diagrams to show use of supply-side and other policies
- explanations of how supply-side policies (market-based and interventionist) might lower unemployment; explanation of how demand-side policies (fiscal and monetary) might lower unemployment
- examples of supply-side and other policies used to reduce unemployment
- synthesis or evaluation (discuss).

Discussion **may** include: a consideration of the positive and negative consequences of different 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.

4. (a) **Using an appropriate diagram, explain how a recession might lead to more poverty.** [10 marks]

Answers **may** include:

- definitions of poverty and recession
- diagram to illustrate recession (AD/AS or business cycle) or change in distribution of income (Lorenz)
- an explanation of how a recession may cause poverty in terms of lower incomes and higher unemployment
- examples of recession leading to poverty.

- (b) **Evaluate the view that attempts to achieve greater equity in the distribution of income will reduce economic efficiency.** [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 equity and economic efficiency
- diagrams to show use of different policies, *eg* to show progressive taxes; diagram to show a production possibility frontier
- an explanation of the role of taxation in promoting equity in the distribution of income; government expenditure on public services, subsidies and transfer payments. Explanation of the impact of the policies on economic efficiency
- examples of where such policies have been used
- synthesis or evaluation.

Evaluation **may** include: a consideration of the positive and negative consequences of the different policies used, the impact of the policies on different stakeholders and their effect on efficiency.

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.

# Data Response

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N14/3/ECONO/HP2/ENG/TZ0/XX/M

## SECTION B

3. (a) (i) Define the term **subsidies** indicated in bold in the text (paragraph 4). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Vague definition.</i> The idea that they are sums of money given to firms.	1
2 <i>Accurate definition.</i> An explanation that they are sums of money given by government to firms and one of the following: – to lower their costs of production. – to increase output of a desired product – to reduce imports	2

- (ii) Define the term **negative externalities** indicated in bold in the text (paragraph 7). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Vague definition.</i> The idea that they are negative economic effects on others.	1
2 <i>Accurate definition.</i> An explanation that they are costs (harmful effects) suffered by a third party as a result of an economic transaction (or when a good or service is produced or consumed).	2

- (b) Using an externalities diagram, explain the benefits of the Ethio-China Polytechnic College (*paragraph 6*). [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is a correct diagram or an accurate written response.</i> For drawing a correctly labelled MSB/MSC diagram showing an MSB curve to the right of the MPB curve and indicating underprovision of education and/or welfare loss (potential welfare gain) or for an explanation of any plausible external benefit that might be gained from education, such as: <ul style="list-style-type: none"> <li>• the external benefits of a more educated workforce</li> <li>• a reduction in the welfare loss</li> <li>• a capture of the potential welfare gain</li> <li>• a movement towards the socially efficient level of output.</li> </ul>	1–2
2 <i>There is a correct diagram and an accurate written response.</i> For drawing a correctly labelled MSB/MSC diagram showing an MSB curve to the right of the MPB curve and indicating underprovision of education and/or welfare loss (potential welfare gain) or for an explanation of any plausible external benefit that might be gained from education, such as: <ul style="list-style-type: none"> <li>• the external benefits of a more educated workforce</li> <li>• a reduction in the welfare loss</li> <li>• a capture of the potential welfare gain</li> <li>• a movement towards the socially efficient level of output.</li> </ul>	3–4

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

The vertical axis may be price, but could be costs or benefits. The horizontal axis is quantity. A title is not necessary.

- (c) Explain *two* economic reasons why China may benefit from its involvement in the Ethiopian economy. [4 marks]

Level	Marks
0	0
<i>The work does not reach a standard described by the descriptors below.</i>	
1	1-2
<i>There is a correct explanation of theory for one economic reason.</i> For explaining any one of the following: <ul style="list-style-type: none"><li>• lower costs of production for Chinese firms</li><li>• more demand for Chinese products</li><li>• interest payments on the loans made</li><li>• profits to be repatriated from the Chinese MNCs</li><li>• contracts for Chinese companies providing infrastructure.</li><li>• access to resources/raw materials.</li></ul> Any reasonable response.	
2	3-4
<i>There is a correct explanation of theory for two economic reasons.</i> For explaining any two of the following: <ul style="list-style-type: none"><li>• lower costs of production for Chinese firms</li><li>• more demand for Chinese products</li><li>• interest payments on the loans made</li><li>• profits to be repatriated from the Chinese MNCs</li><li>• contracts for Chinese companies providing infrastructure.</li><li>• access to resources/raw materials.</li></ul> Any reasonable response.	

- (d) Using information from the text/data and your knowledge of economics, discuss the possible effects of Chinese involvement in Ethiopia on economic growth and development in the Ethiopian economy. [8 marks]

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	0
<i>The work does not reach a standard described by the descriptors below.</i>	
1	1-2
<i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	
2	3-5
<i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	

- 3 *Relevant concepts are recognized and developed in reasonable depth.* 6-8  
There is clear knowledge/understanding.  
There is effective application/analysis.  
There is synthesis/evaluation, supported by appropriate theory and evidence.

*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:

- identification of FDI, subsidies, commercial loans, aid (training) as the types of involvement, with definitions of (some of) these
- definitions of economic growth and economic development
- Positive outcomes for growth and/or development
  - improved education for the workforce (*paragraph ②*)
  - improvements in infrastructure (*paragraph ③*)
  - increased economic growth rates (*paragraph ③*)
  - improvements in communication (*paragraph ④*)
  - benefits for consumers (*paragraph ⑤*)
  - increased domestic employment (*paragraph ⑥*)
  - filling of the savings gap
  - breaking the poverty cycle
  - transfer and technology
- Negative outcomes for growth and/or development
  - negative externalities (*paragraph ⑦*)
  - possible loss of control of assets and infrastructure (economic sovereignty)
  - opportunity cost of interest payments
  - dependency on China
  - any other possible disadvantages associated with FDI, commercial loans and aid.

To reach L3, there must be an awareness of the distinction between economic growth and economic development. However, this awareness does not guarantee a L3 response.

Any reasonable discussion.

4. (a) (i) Define the term **infrastructure** indicated in bold in the text (paragraph ❸). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Vague definition.</i> The idea that it is (any one of the following is sufficient): <ul style="list-style-type: none"> <li>• large scale public systems (services and facilities) of a country</li> <li>• necessary for economic activity</li> <li>• in addition to the capital stock of a nation</li> <li>• usually supplied by the government.</li> </ul>	1
2 <i>Accurate definition.</i> An explanation that it is (any two of the following is sufficient): <ul style="list-style-type: none"> <li>• large scale public systems (services and facilities) of a country</li> <li>• necessary for economic activity</li> <li>• an addition to the capital stock of a nation</li> <li>• usually supplied by the government.</li> </ul> Any reasonable response.	2

- (ii) List two of the Millennium Development Goals (MDGs) (paragraph ❹). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is limited understanding</i> One goal is stated or two goals are partially stated.	1
2 <i>There is clear understanding</i> Two of the following goals are stated: <ul style="list-style-type: none"> <li>• eradicate extreme poverty and hunger</li> <li>• achieve universal primary education</li> <li>• promote gender equality and empower women</li> <li>• reduce child mortality</li> <li>• improve maternal health</li> <li>• combat HIV/AIDS, malaria, and other diseases</li> <li>• ensure environmental sustainability</li> <li>• develop a Global Partnership for Development.</li> </ul>	2



- (b) Using a Lorenz curve diagram, explain the meaning of the difference in the Gini coefficient figures for Nigeria and Senegal (Figure 1). [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is a correct diagram or an accurate written response.</i> For drawing a correctly labelled Lorenz curve diagram showing the curve for Senegal to be closer to the line of equality than the curve for Nigeria or an explanation that the lower Gini coefficient figure for Senegal means that income is more equally distributed in Senegal than in Nigeria.	1–2
2 <i>There is a correct diagram and an accurate written response.</i> For drawing a correctly labelled Lorenz curve diagram showing the curve for Senegal to be closer to the line of equality than the curve for Nigeria and an explanation that the lower Gini coefficient figure for Senegal means that income is more equally distributed in Senegal than in Nigeria.	3–4

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

For a Lorenz curve, the vertical axis should be (cumulative) percentage of income and the horizontal axis should be (cumulative) percentage of population. A title is not necessary.

- (c) Using an AD/AS diagram, explain why “a fiscal stimulus that maintained strong growth ... can also be associated with Nigeria’s high inflation” (paragraph ②). [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is a correct diagram or an accurate written response.</i> For drawing a correctly labelled AD/AS diagram with a shift of the AD curve to the right and indicating a rise in the average price level or for explaining that a fiscal stimulus would increase AD through increased government spending and/or lower direct taxes (increased household consumption), thus leading to high inflation.	1–2
2 <i>There is a correct diagram and an accurate written response.</i> For drawing a correctly labelled AD/AS diagram with a shift of the AD curve to the right and indicating a rise in the average price level and for explaining that a fiscal stimulus would increase AD through increased government spending and/or lower direct taxes (increased household consumption), thus leading to high inflation.	3–4

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

For AD/AS, the vertical axis may be price level, average price level, general price level or any abbreviations of these. The horizontal axis may be output, real output, national output, real national output, national income, or any abbreviations of these. A title is not necessary.



- (d) Using information from the text/data and your knowledge of economics, discuss the extent to which economic development is likely to be achieved in Nigeria in comparison to Senegal. [8 marks]

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 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	1–2
2 <i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3 <i>Relevant concepts are recognized and developed in reasonable depth.</i> 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:

- a definition of economic development
- a comparison of HDI values noting that the HDI value is the same in both countries
- GNI per capita is notably higher in Nigeria, so that the education and health indices for Nigeria must be lower than Senegal
- the difference in GNI per capita may be exaggerated as up to 60% of Senegal's economy is informal (*Paragraph 9*)
- Senegal's larger public expenditure on health as a percentage of GDP may contribute to higher economic development and may be responsible for its higher life expectancy
- Senegal's larger expenditure on education as a percentage of GDP may contribute to higher economic development (*Figure 1*)
- In the long run, greater expenditure on health care and education may result in a healthier and more productive work force, contributing to greater economic growth and development
- PPC curve or LRAS curve to show effect of improvement in quality of labour
- Senegal's lower Gini coefficient suggests a more equal distribution of income (*Figure 1*); so even though Senegal's GNI per capita income is lower than Nigeria, income is more equally distributed

- Nigeria has a much higher percentage of people living in absolute poverty (*Figure 1*)
  - While Nigeria has large reserves of natural resources (*Paragraph ❶*), it may be over-reliant on oil revenues as a source of economic growth; non-oil growth needed (*Paragraph ❸*)
  - Senegal's economy may be more diversified (*Paragraph ❸*), meaning that it may be able to withstand global fluctuations in commodity prices
  - Concern about poor governance in Nigeria, such that any benefits of economic growth may not translate into economic development
  - Concern about infrastructure in both countries
  - Use of data to make predictions of future economic development.
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