

HL1 + SL1 Long Essay2013- November **HL 1****Syllabus Focus for this question: 1.3**

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

1b) Discuss the policies a government might use to make food more affordable to low income groups. (15 marks)

1. Note : syllabus link see items 28 and 31 – 33.
2. Note: see Answer plan on page 2 below
3. Note: see Ib examiner answer on pages 4 and 5.

HL2 + SL2: Long Essay2013- May **HL 1****Syllabus Focus for this question: 1.2 + 1.3 + 1.4**

2. (a) Using diagrams, explain how the incidence of an indirect tax may be affected by the price elasticity of demand. (10 marks)

(b) To what extent might the problems of negative externalities of consumption be resolved by the use of indirect taxation? (15 marks)

HL2 + SL2: Long Essay2013- November **HL 1****Syllabus Focus for this question: 1.3 + 1.4**

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

2b) Discuss two possible government responses to threats to sustainability. (15 marks)

note: syllabus link see items 26, 27 and 39.

HL2 + SL2: Long Essay

2013 May M13/3/ECONO/SP1/ENG/TZ2/XX

Syllabus Focus for this question: 1.3

1. (a) Explain why a government might impose a price ceiling on the market for rented accommodation and a price floor on the market for agricultural products. [10 marks]

(b) Evaluate the possible consequences of price controls on the stakeholders in a market. [15 marks]

1. Note: see Answer plan on page 3 below.

2013- November **HL 1**

Syllabus Focus for this question: 1.3

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1b) Discuss the policies a government might use to make food more affordable to low income groups. (15 marks)

Grade Boundaries:

- 7: 19-25 marks
- 6: 16-18
- 5: 13-15
- 4: 10-12
- 3: 6-9
- 2: 4-5
- 1: 0-3

APP:

Answer Planning/Paragraphing:

Answer Paragraph Plan:

- a)
- P1. Define and draw ceiling price with diagram showing labels for food market.
 - P2. Explain (referring to the diagram) the main outcomes/results of applying a ceiling price in a food market. Outcomes include:
 - **Consumer:** benefits from lower prices
 - **Consumer:** faces scarcity
 - **Firm:** faces lower revenue and possible shut-down. Market gets significantly smaller.
 - **Government:** imposed price ceiling may stimulate a black market and use of coupons/queuing system 'first come first served' systems to distribute the scarce food
 - Use real world example(s) if possible but make **exact** and **detailed** references to your diagram. This = expert use of diagrams!

Answer Paragraph Plan:

- b)
- P1: Introduction.** Highlight key issue in the question: ie intervention will have a development effect i.e. reduce poverty. List briefly possible government policies.
- P2: Price Ceiling:** Avoid repeating information from part (a) of the question. Use diagram and consumer/producer surplus to make your arguments. Focus on price ceiling using CS and PS. Explain how consumer gains. Explain how scarcity results (disequilibrium) and black market may develop as PS is reduced (see webnote 137 for a simple analysis here.) Price ceiling is essentially intervention designed for emergency situations e.g. supply shock due to bad weather
- P2: Subsidy:** Explain how producer gains and as a result output rises. (7 answers would note that the more elastic the supply the more benefit for consumers). Explain how equilibrium is restored to the market but note carefully that such intervention does not result in an efficient allocation of resources because the higher output is sold at an artificially low price. Use diagram and PS/CS to make your arguments.
- P3: Discuss Policies:** Note the arguments you made above but do not repeat information. Explain/justify/discuss the gains and losses for government: e.g. subsidy makes market bigger/reduces poverty/supports farmer incomes/boosts employment/but has significant cost factor and might be unaffordable in the long run.
- P4. Decision/judgement.** Answer the question exactly with direct reference to the wording in the question. Subsidy is a better alternative than Price Ceiling which really should only be used in emergency situations. (Note: P4 could be combined with P3.)

2013 May M13/3/ECONO/SP1/ENG/TZ2/XX

Syllabus Focus for this question: 1.3

1. (a) Explain why a government might impose a price ceiling on the market for rented accommodation and a price floor on the market for agricultural products. [10 marks]

(b) Evaluate the possible consequences of price controls on the stakeholders in a market. [15 marks]

APP:

Answer Planning/Paragraphing:

Plan:

a)

- P1. define and draw ceiling price with diagram showing labels for rental market.
- P2. Explain what advantage the government sees in ceiling price for rental market. Use example.
- P3. define and draw price floor for agricultural market with labels for agricultural market
- P4. Explain what advantage the government sees in floor price for agricultural market. Use example.

Plan:

b) Define key terms not already defined. Highlight key issue in the question: ie price control has positives and negatives.

P1: **Consumer:** Focus on price ceiling. Explain how consumer gains. Explain how scarcity results (disequilibrium) and black market may develop. Use diagram and consumer/producer surplus to make your arguments. (Price floor/minimum wage could also be used here)

P2: **Producer:** Focus on price floor. Explain how producer gains. (7 answers would note that the more inelastic the demand the more benefit for producers). Explain how a glut results (disequilibrium). Use diagram and PS/CS to make your arguments.

P3: **Government:** Note the arguments you outlined in part a) of your answer but do not repeat information. Explain/justify/discuss the gains and losses for government: e.g. price ceiling makes market smaller/unemployment/ possibility of black market/ but this is only done in emergency situations i.e. the original equilibrium may have been the result of a supply shock and the equilibrium price unaffordable.

P4: **Decision/judgement.** Answer the question exactly with direct reference to the wording in the question.

IBQ**Marks Scheme****Syllabus 1.3**

N13/3/ECONO/HP1/ENG/TZ0/XX/M

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

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

(b) Discuss the policies a government might use to make food more affordable (15 marks)

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.

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