IB Diploma

ECONOMICS

HL

Paper 1

2017 — 2024

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1 - (ECONO/11_HL_Summer_2017_Q1) - *Microeconomics*

(a) Explain how the overuse of common access resources can lead to negative externalities. [10]

(b) Discuss the view that the best way to reduce the threat to sustainability, arising from the burning of fossil fuels, is for the government to provide subsidies to firms that produce energy through renewable sources. [15]

2 - (ECONO/11_HL_Summer_2017_Q2) - *Microeconomics*

(a) Explain why a loss-making firm in perfect competition would shut down in the long run. [10]

(b) Discuss the view that perfect competition is a more desirable market structure than monopoly. [15]

3 - (ECONO/12_HL_Summer_2017_Q1) - *Microeconomics*

(a) Explain how an increase in the costs of factors of production would affect the market price **and** output of a good. [10]

(b) Discuss the consequences for different stakeholders in the economy of the government providing subsidies on goods, such as renewable energy. [15]

4 - (ECONO/10_HL_Winter_2017_Q1) - *Microeconomics*

(a) With reference to demand and supply in competitive markets, explain how the economic question "what to produce" is answered. [10]

(b) Discuss the consequences of the direct provision of public goods by the government. [15]

5 - (ECONO/10_HL_Winter_2017_Q2) - *Microeconomics*

(a) Explain why firms in oligopolistic markets may prefer to use non-price competition. [10]

(b) Discuss the reasons why firms compete or collude in oligopolistic markets. [15]

6 - (ECONO/11_HL_Summer_2018_Q1) - *Microeconomics*

(a) With reference to the concept of excess demand, explain how a decrease in supply of a good would lead to a new market equilibrium. [10]

(b) A government decides to impose an indirect tax on unhealthy drinks. Discuss the consequences for the stakeholders in these markets. [15]

7 - (ECONO/11_HL_Summer_2018_Q2) - *Microeconomics*

(a) Explain **two** factors that might give rise to economies of scale for a firm. [10]

(b) Discuss the view that legislation is the best way of dealing with the problem of monopoly power. [15]

ANSWERS

1 - (ECONO/11_HL_Summer_2017_Q1) - *Microeconomics*

(a) Explain how the overuse of common access resources can lead to negative externalities. **[10]**

*Answers **may** include:*
- definitions of common access resources and negative externalities
- diagram to show negative externalities arising from overconsumption (depletion of common access resources) or production (environmental degradation as a by-product of production activities)
- explanation that overuse of common access resources can lead to environmental damage or resource depletion, which are forms of market failure, leading to negative externalities of production or consumption
- examples of how overuse of common access resources leads to negative externalities such as over-fishing, open-cast mining and deforestation.

Assessment Criteria

Part (a) 10 marks

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	*0*
1	*There is little understanding of the specific demands of the question.*	*1–3*
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	*There is some understanding of the specific demands of the question.*	*4–6*
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	*There is understanding of the specific demands of the question.*	*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	*There is understanding of the specific demands of the question.*	*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 the threat to sustainability, arising from the burning of fossil fuels, is for the government to provide subsidies to firms that produce energy through renewable sources. **[15]**

*Answers **may** include:*
- definition of subsidies and sustainability
- diagram(s) to show the impact of subsidies on the market for renewable energy and the market for fossil fuels
- explanation that subsidies reduce the costs of production for renewable energy firms and the price of renewable energy to consumers, which reduces the demand for energy produced by burning fossil fuels. This creates greater sustainability in the energy market
- examples of subsidies on the market for renewable energy such as solar power and wind farms
- synthesis or evaluation (discuss).

Discussion **may** include: alternative policies that could be used instead of subsidies, consideration of the impact of subsidies on different stakeholder groups, negative effects on the fossil fuel industry. It could also consider the short-term costs of subsidies and the long-term benefits on sustainability.

Assessment Criteria

Part (b) 15 marks

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is little understanding of the specific demands of the question.*	1–5
	Relevant economic terms are not defined. There is very little knowledge of relevant economic theory. There are significant errors.	
2	*There is some understanding of the specific demands of the question.*	6–9
	Some relevant economic terms are defined. There is some knowledge of relevant economic theory. There are some errors.	
3	*There is understanding of the specific demands of the question.*	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	*There is understanding of the specific demands of the question.*	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 - (ECONO/11_HL_Summer_2017_Q2) - *Microeconomics*

(a) Explain why a loss-making firm in perfect competition would shut down in the long run. **[10]**

*Answers **may** include:*

- definitions of perfect competition and long run
- diagram(s) to show the shut-down point in perfect competition
- explanation of why a firm shuts down in the long run when a loss-making firm can cover its variable costs in the short run but cannot cover its total costs in the long run. It is not making a normal profit
- examples of markets which have features of perfect competition.

Assessment Criteria

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(b) Discuss the view that perfect competition is a more desirable market structure than monopoly. **[15]**

*Answers **may** include:*
- definitions of market structure, perfect competition and monopoly
- diagram(s) to compare and contrast perfect competition and monopoly
- explanation that perfect competition has a number of advantages like lower prices, greater choice and allocative and productive efficiency compared with monopoly
- examples of markets which have features of perfect competition and monopoly
- synthesis or evaluation (discuss).

Discussion **may** include: reference to benefits of monopoly such as economies of scale, research and development, natural monopoly, and/or the disadvantages of monopoly (higher price, lower output). To focus on the word "desirable" in the question, discussion may also include the advantages and disadvantages of perfect competition.

Assessment Criteria

Part (b) 15 marks

Level Marks

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3 - (ECONO/12_HL_Summer_2017_Q1) - *Microeconomics*

(a) Explain how an increase in the costs of factors of production would affect the market price **and** output of a good. **[10]**

*Answers **may** include:*

- definitions of factors of production, market price
- diagram to show the effect of an increase in costs of factors of production (leftwards shift of supply)
- explanation of why an increase in costs of factors of production will decrease product supply and ceteris paribus increase the price and reduce output
- examples of costs of factors of production increasing.

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(b) Discuss the consequences for different stakeholders in the economy of the government providing subsidies on goods, such as renewable energy. **[15]**

*Answers **may** include:*
- definitions of subsidies and stakeholders
- diagram to show the full impact of a subsidy, *eg* cost to government, reduction in price to consumer
- explanation of the potential consequences for consumers, producers, government and society
- examples of the use of subsidies in practice
- synthesis or evaluation (discuss).

Discussion **may** include: the importance of price elasticity of demand, opportunity cost issues, externality issues, equity issues and efficiency issues.

Assessment Criteria

Part (b) 15 marks

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