IB Economics—internal assessment summary portfolio coversheet

School code	Name of school
002691	New School
Candidate number	**Candidate name**
002691-([redacted]	[redacted]

Commentary number	Date article published	Date commentary written	Different and appropriate source	Section of the syllabus the article relates to	Number of words
1	11.04.2013 ✓	11.28.2013	World Bulletin ✓	Macro-economics ✓	746 ✓
2	08.20.2013 ✓	10.06.2013	BBC News ✓	International Economics ✓	747
3	12.10.2013 ✓	12.14.2013	RTT News ✓	Development Economics ✓	749 ✓

IB Economics—internal assessment coversheet

School code	Name of school
002691	New School

Candidate name	[redacted]
Candidate number	002691-[redacted]
Teacher	Annie Levasseur-Barys
Title of the article	7.71% annual inflation increase in Turkey
Source of the article	"7.71% annual inflation increase in Turkey." World Bulletin. 04 Nov. 2013. Web. 19 Nov. 2013. <http://www.worldbulletin.net/?aType=haber&ArticleID=122133>
Date the article was published	04 November 2013
Date the commentary was written	28 November 2013
Word count (750 words maximum)	746
Section of the syllabus the article relates to (please tick the one that is most relevant)	☐ Section 1: Microeconomics ☑ Section 2: Macroeconomics ☐ Section 3: International economics ☐ Section 4: Development economics

7.71% annual inflation increase in Turkey

Turkey's annual inflation reaches 7.71% in CPI and 6.77% in PPI in October

11:49, 04 November 2013 Monday

(World Bulletin) - Consumer Price Index (CPI) increased by 1.80% and Producer Price Index (PPI) by 0.69% in October 2013, according to the Turkish Statistics Institute (TurkStat).

According to the data released by the TurkStat, annual inflation reached 7.71% in CPI and 6.77% in PPI in October.

The indices rose 3.91% for food and non-alcoholic beverages, 1.58% for furnishings and household equipment, 0.94% for hotels, cafes and restaurants, and 0.62% for recreation and culture in October.

The highest annual increase was 14.30% in alcoholic beverages and tobacco.

Food and non-alcoholic beverages (11.13%), education (10.14%), hotels, cafes and restaurants (9.42%), clothing and footwear (9.12%) were the other main groups where high annual increases were realized.

PPI of agriculture increased 4.06% compared to December of the previous year and 0.59% compared with the same month of the previous year.

PPI of industry section increased 5.36% compared to December of the previous year, and 8.03% compared to the same month of the previous year.

The highest monthly increase was in crude petroleum and natural gas.

Monthly PPI increased 1.15% in the index for mining and stone quarrying, and decreased 0.08% in the index for manufacturing. It increased 0.24% in the index for electricity, gas and water.

The highest rates of monthly increase in PPI by sub-divisions of industry were the indices for crude petroleum and natural gas production (4.51%), apparel (2.28%), and stone quarrying and other mining (2.20%).

On the other hand, indices declined for coal and refined petroleum (-3.92%), publishing and printing (-2.60%), and machinery and equipment (-2.25%).

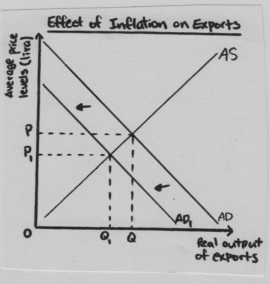
In October 2013, within the average prices of 788 items in the index, the average prices of 178 items remained unchanged while those of 368 items increased and those of 242 items decreased.

"Rising Inflation in Turkey Concerns Many"

One of the macroeconomic goals of governments is price stability. This means that they want a low and stable rate of inflation because inflation is a persistent increase in average price levels in the economy. But in Turkey, "Annual inflation reached 7.71% in CPI and 6.77% in PPI". Mainly, the CPI values which are weighted average of the prices according to importance of the goods will be used for this commentary. To examine the effects of the increase in inflation, the advantages and disadvantages on stakeholders and possible ways the Turkish government could reduce the rising inflation will be discussed.

Consumer Price Index

Increasing inflation in an economy means rising prices of goods and services. According to the article, inflation of food have risen by 11.13%. This is a clear disadvantage for most stakeholders. First of all, fixed-income receivers will suffer from a decline in purchasing power. Because their income is not linked to inflation rate, they will not receive the same percentage increase in their income as the inflation rate, thus reducing living standards for these people. Producers in export industries will also have negative consequences, especially for exporters of natural gas because they take up a large part of Turkish exports. It says, "The highest monthly increase was in crude petroleum and natural gas." This will make Turkish crude petroleum and natural gas less competitive on international markets because of higher prices. Also, the imports from lower inflation rate countries will be more attractive which could lead to a loss in export revenue but more expenditure on imports. For the government, this is a problem because it prevents Turkey from earning necessary foreign exchange and creates trade deficit which worsens the trade balance. Not only this, it could create unemployment in petroleum, natural gas, or any other export industries because of the reduced demand. This is shown in the diagram below.



Aggregate demand is decreased from AD to AD_1, reducing output from Q to Q_1 and price from P to P_1. Hence, the fall in demand will increase unemployment. However, there are also people that could benefit from this rise in inflation.

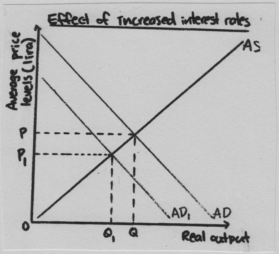
In the short-run, high inflation rates could also be beneficial. Governments will benefit from the tax revenues. Because some workers' wages will be linked to inflation rate, when inflation rates increase by 7.71%, their income also increase by the same percentage, adjusted to inflation. And if the government has progressive tax systems where the more one earns the more tax must is paid according to tax brackets, tax revenues will increase and could improve government investments. But these advantages do not mean that they outweigh the disadvantages. There are greater disadvantages for most stakeholders than the advantages, so the Turkish government should implement policies to solve the situation.

Two macroeconomic policies to improve inflation are fiscal and monetary policies. Fiscal policies change the level of taxation and government expenditure while monetary policies change the interest rates and supply of the Lira. If the inflation was caused due to excess aggregate demand, the government can raise taxes or interest rates which would decrease aggregate demand. However, both policies have several disadvantages. Fiscal policies need a big gap (time) before the government can implement policies because of legislative procedures. Also, increased taxes will be unpopular among the citizens. Monetary policies also have limitations because higher interest rates increase loan and mortgage repayments. However, the Turkish Central Bank controls the interest rates which means it will be more effective in reducing inflation rates since it is more flexible with making changes than the government is. Therefore, Turkey should use monetary policies to reduce inflation. -> Could be explained more clearly

-> could be explained with a graph

-> what does this mean for consumers?

By increasing interest rates, the aggregate demand will decrease because more people are attracted by the potential gains from saving. This is shown in the graph below.



The aggregate demand (AD) will decrease so a shift to the left from AD to AD_1 will occur. This decreases average price levels from P to P_1 and output from Q to Q_1, reducing inflationary pressure. In the article it mentions that "within the average prices of 788 items in the index, 368 items increased". Using monetary policies, average price levels of some of these items should decrease as well as the CPI indices.

Increase in inflation rates in Turkey have raised average price levels of goods and services which have affected the stakeholders negatively. Despite the advantages, Turkey has to improve this situation, perhaps by using the monetary policies and achieve price stability necessary for economic growth.

Word Count: 746

IB Economics—internal assessment coversheet

School code	Name of school
002691	New School

Candidate name	
Candidate number	002691-
Teacher	Annie Levasseur-Barys
Title of the article	Indian media: concerns over declining rupee
Source of the article	"Indian media: Concerns over declining rupee." BBC News. 20 Aug. 2013. Web. 01 Oct. 2013. <http://www.bbc.com/news/world-asia-india-23764189> ✓
Date the article was published	20 August 2013 ✓
Date the commentary was written	06 October 2013
Word count (750 words maximum)	747 ✓
Section of the syllabus the article relates to (please tick the one that is most relevant)	☐ Section 1: Microeconomics ☐ Section 2: Macroeconomics ☑ Section 3: International economics ☐ Section 4: Development economics

Indian media: Concerns over declining rupee

20 August 2013 07:05 GMT

(BBC) - Media in India are expressing concerns over the continuous depreciation in the value of the rupee against the dollar.

The rupee fell to a record low of 62.49 against the dollar in early trade on Monday, worrying many media commentators about the "poor state" of the Indian economy and the rising prices of essential goods.

"The rush of capital out of India, which has triggered the fall, has raised the prospects of inflation, growth falling below 5% and higher interest rates," says The Times of India.

"Retail customers of home, auto and consumer loans should brace themselves for a rough ride ahead as signals emerging from the bond market point towards an increase in interest rates," the paper says in another report.

The Indian Express feels "the effect of the sustained fall has begun to impact banks… which means people planning on festival loans will have to do a rethink".

The Tribune too deplores the rupee's "nightmarish run" and adds that "despite several steps and assurances by the government and the RBI (Reserve Bank of India), there is no respite".

R Sivakumar of Axis [Bank] Mutual Fund told the Indian Express that the initial fall in the rupee was in line with other Asian and emerging markets, but it is falling now in response to the monetary and administrative decisions taken in the past month.

"We believe the rupee will remain weak as long as growth prospects remain weak. Higher interest rates and tight liquidity conditions imposed by the RBI have put growth at risk and there is the possibility of further weakness while these measures are in place," the paper quoted him as saying.

Meanwhile, The Times of India reports that the railways suffered a loss of 900m rupees (over £9m; $14m) after a mob set 15 coaches of a train on fire in the eastern state of Bihar.

The people were angry after a high-speed train killed 28 pilgrims who were crossing the tracks at a remote train station in the state.

Moving on to foreign affairs, Delhi has asked Colombo to free Indian fishermen held by Sri Lanka for allegedly fishing in its territorial waters.

The Tribune reports that Prime Minister Manmohan Singh told visiting Sri Lankan Foreign Minister GL Peiris to consider "an early repatriation" of Indian fishermen and to treat it as a "humanitarian issue".

Mining project

In other news, tribal villagers in the eastern state of Orissa have rejected proposals by the state government and London-based firm Vedanta to start a bauxite mining project in the ecologically-sensitive Niyamgiri hills, the Deccan Herald reports.

"As expected, locals belonging to the primitive tribe Dongria Kondh objected to the mining project on ground that they not only depend on the important hills for their livelihood but had also been worshipping them for generations," the report says.

In April, the Supreme Court had ordered that the fate of the mining project be decided by the locals.

Elsewhere, the Supreme Court has given the government six weeks to respond to a recommendation by the Election Commission to "ban those facing trial for heinous offences from contesting elections", The Times of India reports.

And finally in sports news, cricket captain MS Dhoni has praised stand-in skipper Virat Kohli for leading the team to victory in the recently-concluded tri-nation series in Zimbabwe.

"He (Kohli) has all the right recipes (to lead India)," the Asian Age quoted Dhoni as saying.

"Indian Rupee on the Lowest Fall"

In a floating exchange market, where market forces alone without any government or central bank intervention determine the value of the currency, the currency values could fluctuate. Recently in India, the value of the rupee is rapidly depreciating. It marked the lowest record of "62.49 against the dollar". This could be viewed in both positive and negative perspectives. To determine whether the depreciation of the rupee was an advantage or disadvantage, the effect it can have on trade and stakeholders will be discussed as well as possible solutions to problems that might arise by the depreciating rupee.

could be defined

The depreciation of the rupee has some advantages in a few areas. Since the value of the rupee fell, the exchange rate will be low. It will be cheaper for foreign countries to buy Indian goods or services. This means that the export industry in India will become more competitive as a result of their less expensive products in the market. The increased demand will thus lead to more employment in export industries. Then the revenue of exports will also rise. But India's exports in the economy take up less than 50%, which means that in the short run, India will not benefit eval.

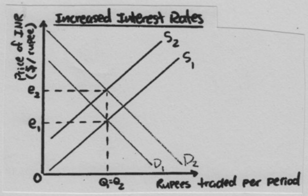
significantly from depreciation effects on exports. Yet another advantage is that the decreased value of the rupee will make imports more expensive than before. Hence, demand for imports will decrease while demand for domestic products will increase. Like the export industry, this may also raise employment in domestic industries to meet the increased demands. So, the depreciation will have a positive impact on exports and domestic employment. However, in the article it says, "Media in India are expressing concerns" which means that there are disadvantages that need to be considered.

A low value of the currency will make imported goods and services more expensive. Although it could improve competitiveness in domestic markets, firms that import raw materials and components will experience losses. Their costs of production will rise, leading to higher prices in the economy. So, the final goods and services produced will have higher prices. There will be "the rising prices of essential goods" above average price levels known as inflation. When there is inflation, consumers are directly affected by higher prices. Also, the government will be negatively affected by uncertainty from investors that are discouraged from investing in India. This could hinder economic growth so the government could take action to solve the situation.

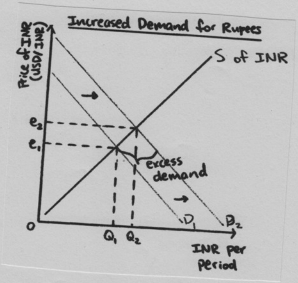
→ could be explained in more details

The Indian government took monetary policies where interest rates are changed to control the size and rate of growth of the money supply. Increasing the level of interest rates will make Indian interest rates relatively higher than those abroad. This is considered as one of the best solutions by economists because it will attract financial investment from abroad. The investors will have to buy rupees in order to put it in the banks which would increase the demand for rupees. In a floating exchange market this will lead to an appreciation of the rupee. This is shown in the diagram below.

↳ define



The demand curve for rupees shifts to the right from D_1 to D_2 because more investors will buy the currency. People will want to save money instead of spending because of the higher interest rates, so the supply will shift to the left from S_1 to S_2. As a result the value of the rupee will increase from e_1 to e_2. However, this policy has some limitations. "Retail customers of home, auto and consumer loans should brace themselves". For consumers possessing loans, the increase in interest rates will threaten them since their repayments will become more expensive. So, another solution is buying their own currency with their foreign reserves.



By buying their own currency, they are increasing the demand from D_1 to D_2. This excess in demand will create pressure for the currency to appreciate from e_1 to e_2 to meet the new equilibrium eval. at Q_1. However, foreign reserves would eventually run out so it cannot be used as a long-term policy. There is also an opportunity cost of using these reserves rather than spending them on imports. Therefore, monetary policies would be a better option to bring back the value of the rupee.

The depreciation of the rupee does have advantages in increasing employment in India, however, it imposes inflationary pressure. Since India's economy is not mainly dependent on exports, negative effects outweigh the positive. So, the government should intervene even if effects take place in the long run.

Word count: 747

IB Economics—internal assessment coversheet

School code	Name of school
002691	New School

Candidate name	
Candidate number	002691-
Teacher	Annie Levasseur-Barys
Title of the article	Philippine Foreign Direct Investment surges in September ✓
Source of the article	"Philippine Foreign Direct Investment surges in September." RTT News. 10 Dec. 2013. Web. 11 Dec. 2013. <http://www.rttnews.com/2237025/philippine-foreign-direct-investment-surges-in-september.aspx> ✓
Date the article was published	10 December 2013
Date the commentary was written	14 December 2013 ✓
Word count (750 words maximum)	749 ✓
Section of the syllabus the article relates to (please tick the one that is most relevant)	☐ Section 1: Microeconomics ☐ Section 2: Macroeconomics ☐ Section 3: International economics ☑ Section 4: Development economics

Philippine Foreign Direct Investment Surges In September

12/10/2013 7:49 AM ET

(RTT) - Foreign direct investment in Philippines increased sharply in September, reflecting favorable investor outlook on the domestic economy on the back of robust macroeconomic fundamentals, a report released by the central bank revealed Tuesday.

Net foreign direct investment surged to US$319 million in September from US$132 million in the same month of last year.

Data showed that net inflows of foreign investments were recorded across the three components of equity capital, reinvestment of earnings, and placements in debt instruments.

Gross equity capital placements were channeled mainly to financial and insurance; real estate; manufacturing; miningz and quarrying; and professional, scientific and technical activities, the report said.

During the nine months ended September, net foreign direct investment climbed 33.3 percent to US$3.1 billion from US$2.3 billion in the same period last year.

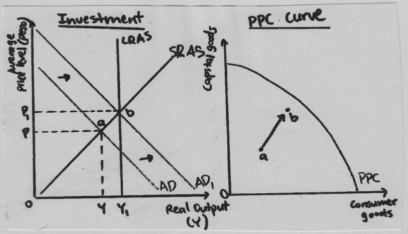
"The Philippines Bombarded with Foreign Direct Investment"

Foreign direct investment (FDI) is critical for a country's growth and development because it involves long-term investments by private multinational corporations (MNCs). Recently, it has been reported that the Philippines experienced a sharp increase in FDI of 33.3%. Whether or not the FDI had positive impacts on the development of countries has been a matter of debate among economists. To view both perspectives, the reasons why FDI might want to invest in the Philippines and their possible advantages and disadvantages affecting economic growth and development will be evaluated.

There are several reasons a developing country could be attractive to foreign investors. The lower labor cost is one of the main attractions for MNCs. Philippines has relatively low labor costs with a minimum wage of $2.10 per hour in the manufacturing industry (United States Department of Labor). Because of this firms can have lower costs of production which leads to lower prices of final products. Natural resources of a country can also be a reason MNCs would want to invest in a country. Since Philippines is surrounded by an ocean, it is abundant in marine life and minerals. MNCs have better technology to extract these natural resources so Philippine's resources may be the reason for increased FDI. However, they may not always bring about economic development even if there is economic growth from their investment.

MNCs often bring their own teams for management and only use the low cost and low skilled local workers for basic production. This takes away chances for Filipino workers to improve or experience new technologies. Therefore, this could deter economic growth and development of the workforce. MNCs also have too much power simply because of their size. The massive amounts of investment give them tax advantages or subsidies which is an opportunity cost for the government. The money given as subsidies or the potential tax revenue could have been used for the development of education or health care. Perhaps the greatest disadvantage of MNCs and FDI in the Philippines are the exploitation of local workers. Workers could have worsened working conditions and the low wages given out will not help improve poverty levels. Or, MNCs could even increase unemployment by not using appropriate technology, where production methods are aligned to the resources available. Because they would want faster production, technologies that overrun human resources could be used. As a result from all the points mentioned above, MNCs can reduce their private costs but create external costs in the Philippines and make sustainable economic development difficult. Yet others argue that increase in FDI help improve the Philippines.

Some economists argue that not all MNCs bring their own employees. So they will provide employment as well as education and training. This will increase skills of the Filipino work force and reduce unemployment levels. In the long run local workers will have more managerial capabilities which would lead to economic development with more efficient workers. Also, investment is critical for economic growth and is also a component of aggregate demand. If there is an increase in FDI "from US$2.3 billion to $3.1 billion", that much more is demanded which means that it will shift the AD curve to the right to AD_1 shown in the graph below. Then there will be an increase in real output from Y to Y_1 which would be equivalent to a movement from *a* to *b* on a production possibility curve showing the economic growth FDI could bring.



who are they?

For example, the Asian Tigers experienced high growth rates from the increased investments which shows a strong positive correlation between investment and economic growth. Economic development could also be improved because greater investments could bring better technology and improve the well-being of Filipino citizens. However, economic growth may not always lead to economic development. Some economists believe that economic growth could increase inequality. The rich might get most of the gains. There is also no guarantee that economic growth and higher incomes mean better working conditions. Most importantly, economic growth often involves pollution. This brings negative externalities for the society where marginal costs for the society and environment are greater than marginal benefits. These do not contribute to economic development and threaten sustainability of the Philippines.

Although many would say that FDI help Philippine, it could actually have negative effects on sustainable economic development. Because economic growth does not translate directly into development, the Philippine government should look out how they should regulate these FDI in order to use their benefits and bring economic development.

Word Count: 749