# 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 | 28/03/2013 | 29/03/2013 | The Telegraph | microeconomics | 742 |
| 2 | 06/05/2013 | 14/05/2013 | Nyasa Times | Macroeconomics | 740 |
| 3 | 10/9/2013 | 07/11/2013 | World Poultry | international 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 | Scotland to ban smoking in parks |
| Source of the article | Johnson, Simon. "Scotland to Ban Smoking in Parks." The Telegraph. Telegraph Media Group, 29 May 0028. Web. 10 Mar. 2014. <http://www.telegraph.co.uk/news/uknews/scotland/9957914/Scotland-to-ban-smoking-in-parks.html>. |
| Date the article was published | 28/03/2013 |
| Date the commentary was written | 29/03/2013 |
| Word count (750 words maximum) | 742 |
| Section of the syllabus the article relates to (please tick the one that is most relevant) | ☑ Section 1: Microeconomics<br>☐ Section 2: Macroeconomics<br>☐ Section 3: International economics<br>☐ Section 4: Development economics |

# Scotland to ban smoking in parks

(The telegraph) **Smoking is on course to be banned in public parks and other council-controlled outdoor areas, under radical plans to make Scotland 'smoke free' by 2034.**

By Simon Johnson, Scottish Political Editor

6:00AM GMT 28 Mar 2013

A Scottish Government "tobacco control" strategy ordered local authorities to ban smoking around their buildings and ordered them to examine where else this prohibition could be extended.

They were told to focus on outdoor areas "likely to be frequented by children", such as play areas and public parks, so that youngsters are not exposed to "smoking behaviours" even outside.

Cigarettes and other tobacco products are to be sold in plain packaging in Scotland, the strategy said, regardless of whether the rest of the UK decides to go ahead with this change.

However, it denied that ministers are "unfairly stigmatising" smokers, arguing this is not the case because cigarettes will not be banned altogether.

The combination of measures is designed to reduce the proportion of Scotland's population that smokes from 23 per cent to less than five per cent by 2034, a level that is deemed to be as close as realistically possible to wiping out smoking altogether.

The strategy focuses on reducing smoking rates among the poor and young, which are particularly high, in the hope of creating a "generation of Scots who do not want to smoke."

It is the most radical step in the Scottish Parliament's drive against smoking, following the indoor ban in public places, an increase in the minimum age to buy cigarettes from 16 to 18 and an incoming prohibition on shops displaying tobacco.

Michael Matheson, the SNP Public Health Minister, said: "Our vision of a tobacco-free generation is about reaping the health, social and economic benefits that a significant reduction in smoking would bring. It would be an achievement of which we could all be proud."

The report estimated around 15,000 Scottish youngsters between the ages of 13 to 24 in Scotland start smoking each year.

The solution is to create an "environment" for youngsters without smoking, it argued, but admitted ministers cannot control smoking in the home or cars.

Instead parents will be issued advice about the dangers of second-hand smoke.

However, ministers have decided smoking should be banned from the grounds of hospitals and council buildings by 2015.

Even prisons and psychiatric units are expected to move towards becoming 'smoke' free under the strategy. In addition, councils should examine "opportunities to extend smoke-free policies to other outdoor areas" in local tobacco control plans.

Councils were ordered to initially focus on play parks but the description also covers all public parks under their control.

In addition, Scottish ministers are to lobby the UK Government to bring together media regulators and the entertainment industry over tackling the "glamorous" image of smoking.

The strategy said controlling tobacco is "central to realising the right to life" as it is associated every year with 13,000 deaths in Scotland and 56,000 hospital admissions.

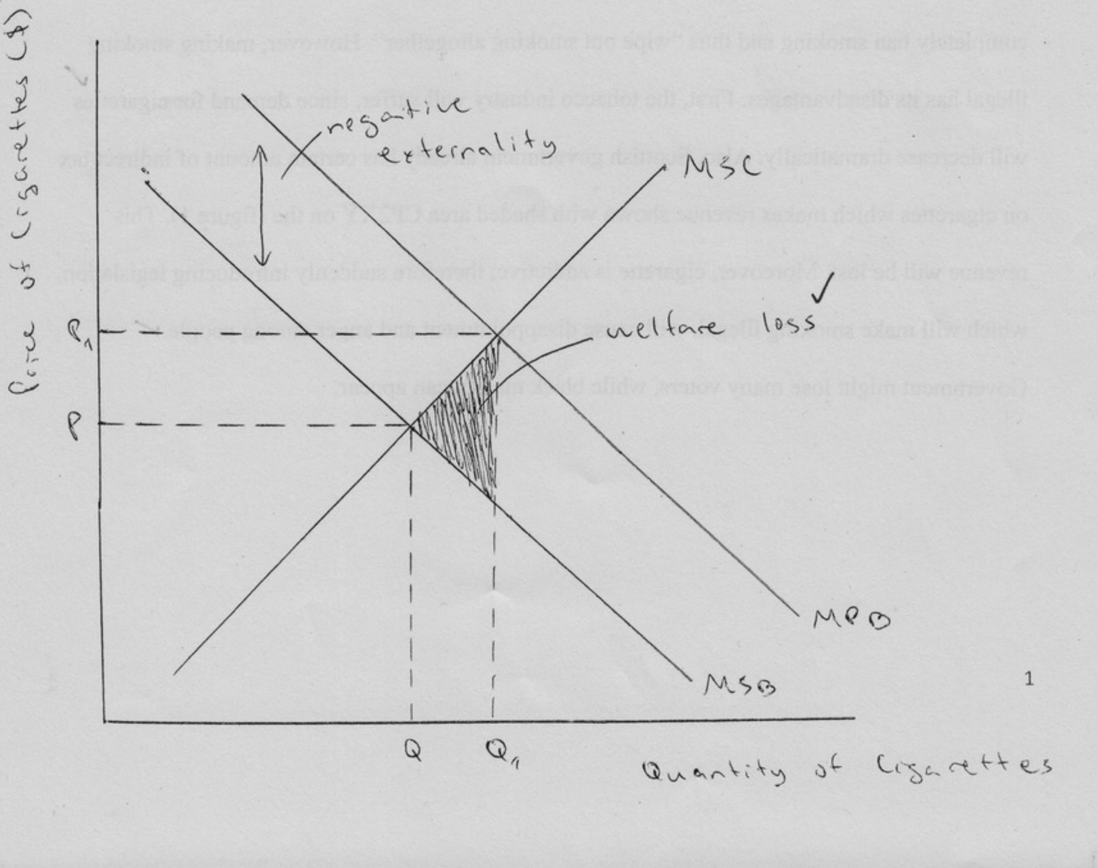
Dr Harpal Kumar, Cancer Research UK's chief executive, praised the plan, saying: "Replacing glitzy, brightly coloured packs that appeal to children with standard packs displaying prominent health warnings would be a huge public health achievement and give youngsters one less reason to start smoking."

"Scotland to ban smoking in parks"

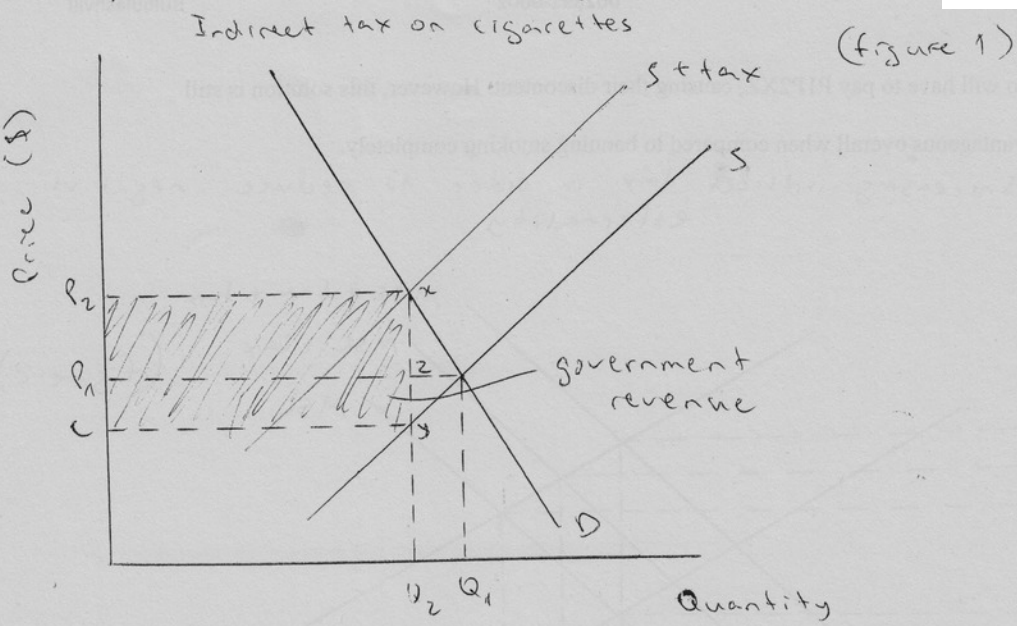
The article centers on the recent decisions of Scottish government, to ban smoking in public parks and other council-controlled outdoor areas, in order to reduce the negative externalities of smoking - effect that consumption of cigarettes by individuals have on third parties - and to take a step towards the big aim of making Scotland "smoke-free" by 2034. However, banning smoking in parks is a limited solution when it comes to making Scotland "smoke free". Best solution, which is likely to be advantageous overall, would be to increase the existing indirect tax - one imposed upon expenditure - on cigarettes. Following paragraphs will discuss short and long term implication while considering different stakeholders.

The reason why government decided to take actions regarding smoking is the negative externalities of consumption that it has. This can be better explained using a graph.

A negative externality of consumption of cigarettes



This graph represents negative externality of consumption of cigarettes. It reflects a situation where MSB (marginal social benefit) is less that MPB (marginal private benefit) due to the following factors. When smoking, individual gets some private benefit, however this will create external cost for other people who suffer from discomfort and health problems caused by passive smoking. Consumers will maximize their private benefit and will consume cigarettes at the level where MSC=MPB. They will ignore the negative externalities created by consuming Q1 at a price of P1. Also note that socially efficient level of output is at Q. Since cigarettes are over consumed the gap between Q and Q1 is created, representing a welfare loss. From the article, it is evident that Scottish government intends to ban smoking in certain areas, which might or might not eliminate negative externality. It is clear though that it will not make Scotland "smoke free" even at 2034. As admitted by government "ministers cannot control smoking in the home or cars" and therefore, the negative externality will not be eliminated but rather reduced. If government considers banning as a successful approach to the problem, then they need to completely ban smoking and thus "wipe out smoking altogether". However, making smoking illegal has its disadvantages. First, the tobacco industry will suffer, since demand for cigarettes will decrease dramatically. Also, Scottish government already has certain amount of indirect tax on cigarettes which makes revenue shown with shaded area CP2XY on the (figure 1). This revenue will be lost. Moreover, cigarette is addictive; therefore suddenly introducing legislation, which will make smoking illegal, will cause disappointment and anger among people. Government might lose many voters, while black market can appear.

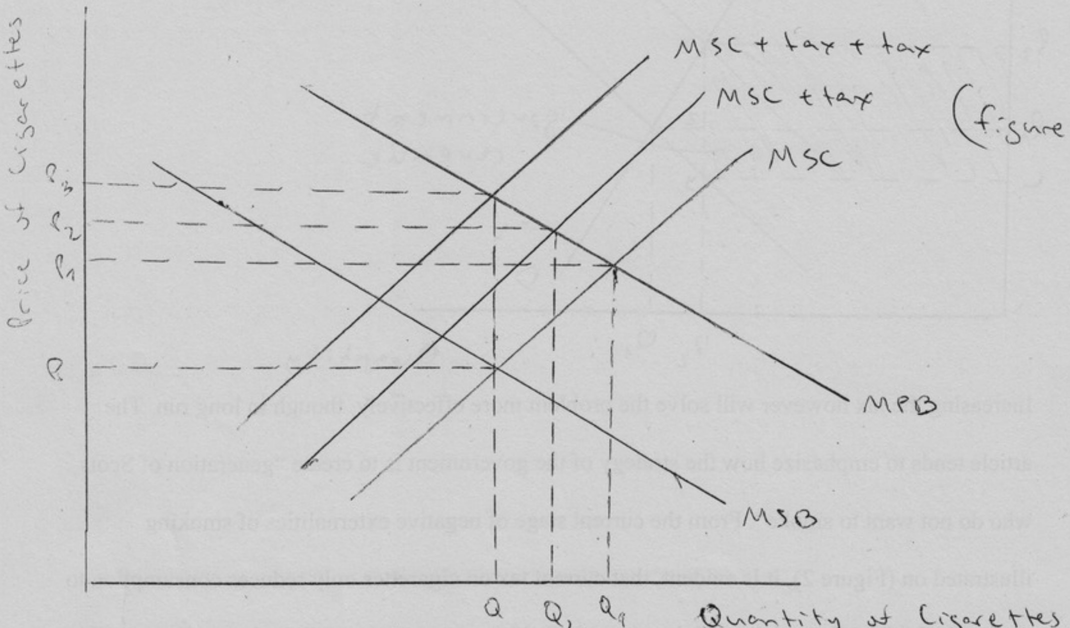



Increasing the tax however will solve the problem more effectively, though in long run. The article tends to emphasize how the strategy of the government is to create "generation of Scots who do not want to smoke". From the current stage of negative externalities of smoking illustrated on (Figure 2), it is evident, that current tax on cigarettes only reduces consumption to the level of Q2 while socially efficient level is Q. if the current taxes will be increased, it will cause increase in price from P2 to P3 and thus reduce consumption towards to socially efficient output Q. Along with that, Considering that youth doesn't have enough income to afford increased prices it is unlikely that Scottish youngsters starting from age 13 and up will start smoking. Creation of the black market can be considered as a disadvantage that raising taxes have, however, enforcing tobacco control act, financed with the revenue that government will obtain from taxes, would help to avoid the creation of black market. As illustrated on (figure 1), demand for cigarettes is relatively inelastic; therefore producers will pass on most of the cost of the tax to the consumers

↳ needs explanation

who will have to pay P1P2XZ, causing their discontent. However, this solution is still advantageous overall when compared to banning smoking completely.

Increasing indirect tax in order to reduce negative externality




(figure 2)

To sum up, recent government decision to ban smoking in certain places, might or might not eliminate negative externalities of consumption. If they consider banning to be the suitable solution they should ban smoking completely. However, this government intervention has many disadvantages. Increasing taxes on the other hand will eliminate negative externalities and will make Scotland "smoke free" in long term with only disadvantage being the possible discontent among people. If government wants short term results then it should completely ban smoking and bear with the consequences, or otherwise increase taxes which will also make Scotland 'smoke free" with less disadvantages, yet in the long term.

unclear

## IB Economics—internal assessment coversheet

| School code | Name of school |
|---|---|
| 002691 | New School |

| | |
|---|---|
| Candidate name | [redacted] |
| Candidate number | 002691 - [redacted] |
| Teacher | Annie Levasseur - Berys |
| Title of the article | Malawi economic recovery plan short of $ 3.5 bn - Govt |
| Source of the article | "Malawi Economic Recovery Plan Short of $3.5bn - Govt." Malawi Nyasa Times Malawi Breaking News in Malawi. N.p., n.d. web. 10 Mar. 2014. <http://www.nyasatimes.com/2013/05/06/malawi-economy-recovery-plan-short-of-3-5bn-govt/> |
| Date the article was published | 06/05/2013 |
| Date the commentary was written | 14/05/2013 |
| Word count (750 words maximum) | 740 |
| Section of the syllabus the article relates to (please tick the one that is most relevant) | ☐ Section 1: Microeconomics<br>☑ Section 2: Macroeconomics<br>☐ Section 3: International economics<br>☐ Section 4: Development economics |

Nyasa Times
Malawi breaking online news source

06/05/2013

# Malawi economic recovery plan short of $3.5bn -Govt

Malawi government says it has only managed to raise $1 billion of the $4.5 billion required to fully implement the ongoing Economic Recovery Plan (ERP).

This is contained in the ERP's implementation strategy which notes that other likely sources of financing for the ERP are regional and international financing initiatives.

"The estimated cost for the successful implementation of the Economic Recovery Plan is $4.5 billion. Out of this amount, $1 billion has been secured from government and various donors leaving a resource gap of $3.5 billion" the report reads in part.

Minister of Economic Planning and Development Ralph Jooma stressed that the ERP will largely be financed through the annual national budget.

"Infrastructure programmes are in line with the Public Sector Investment Programme and Public Private Partnerships (PPPs) for investment programmes are being encouraged," said Jooma.

Jooma: Economic Minister

He said although limited resources and lack of capacity of key institutions are some of the challenges, there is clear articulation of institutional responsibilities for task implementation.

"Measures that have been adopted to curtail risks and ensure sustainability of results include ensuring comprehensive financing strategies, ensuring government ownership and leadership at different levels, timely and effective management plus technical support through sector working groups," Jooma said.

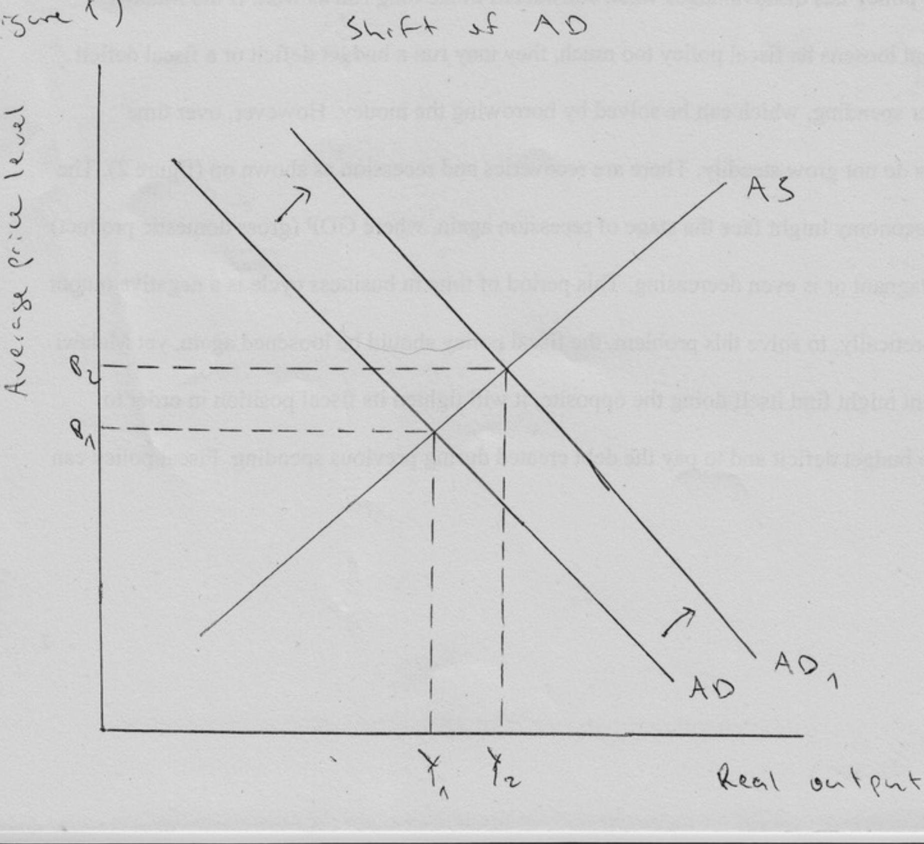
The ERP is focussing on growing selected sectors of energy, agriculture, tourism, mining, information communication technology and transport infrastructure.

“Malawi economic recovery plan short of 3.5bn - Govt”

The article centers on the recent decision of Malawi government to introduce fiscal policies also referred to as government spending policies in order to encourage economic recovery - A period of increasing business activity. Although fiscal policies can be effective, it is reasonable for Malawi government to consider monetary policies-the regulation of the money supply and interest rates by a central bank - since it is overly advantageous. The following paragraphs will discuss this issue considering perspective of different stakeholders as well as long-term short-term implications.

According to Ralph Jooma, minister of economic planning and development, “investment programs are being encouraged”. As stated in the article, government is planning to invest $4.5 billion to serve the purpose of economic recovery. Government spending is an expansionary fiscal policy which can directly impact on Aggregate demand (AD) forcing it to move to the right thus causing economy to grow. This is illustrated on (figure 1)

(figure 1)



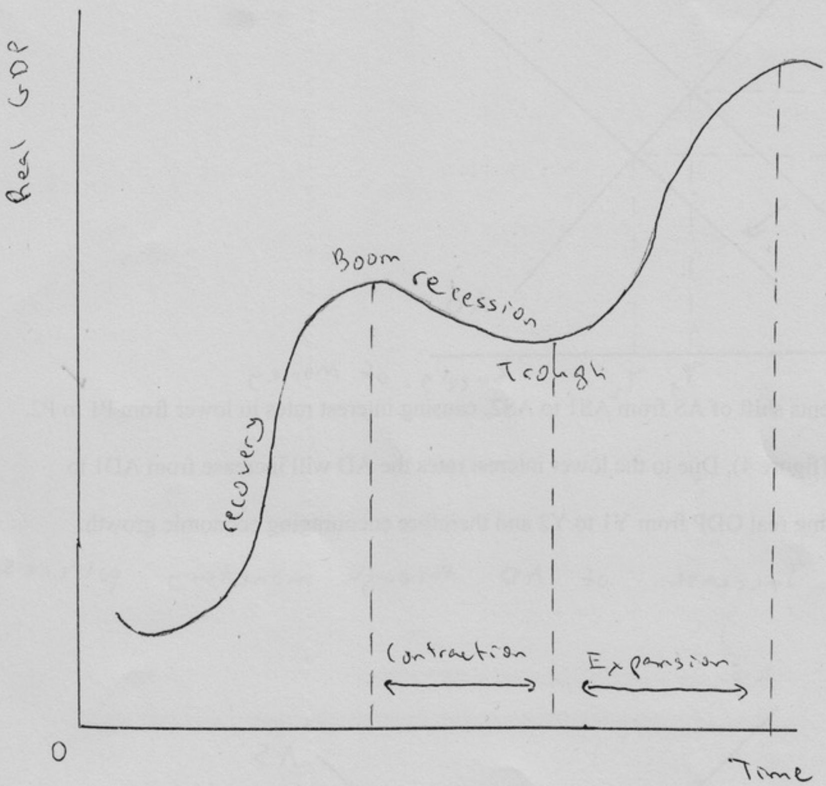
Remind that AD=C (consumption)+I (investment)+G (government spending)+(X-M) (exports – imports). Change in any of these components will alter the AD. Therefore increase in government spending increases the AD. Once the AD is shifted to AD1, the real output will also increase from Y1 to Y2, leading to economic growth.

Although government spending can lead to economic recovery, it has some disadvantages. The government plans to invest 4.5 billion, which should be taken from somewhere. Imposing taxes is one way, yet it will discourage productive behavior of both consumers, and producers due to higher prices.

Also government must be very careful about spending its resources, which are actually "limited" according to Jooma. If they spend too much, the private sector activity will be displayed unclear resulting lesser activity in the productive sector of the economy. Therefore spending too much can actually dampen growth.

The fiscal policy has disadvantages when considered in the long run as well. If the Malawi government loosens its fiscal policy too much, they may run a budget deficit or a fiscal deficit due to over spending, which can be solved by borrowing the money. However, over time economies do not grow steadily. There are recoveries and recession as shown on (figure 2). The Malawin economy might face the stage of recession again, where GDP (gross domestic product) is being stagnant or is even decreasing. This period of time in business cycle is a negative output gap. Theoretically, to solve this problem, the fiscal policy should be loosened again, yet Malawi government might find itself doing the opposite, it will tighten its fiscal position in order to reduce the budget deficit and to pay the debt created during previous spending. Fiscal policy can therefore lead to overspending and might prompt the government to tighten fiscal position when they face the recession again, hence having a negative effect on AD. ✓

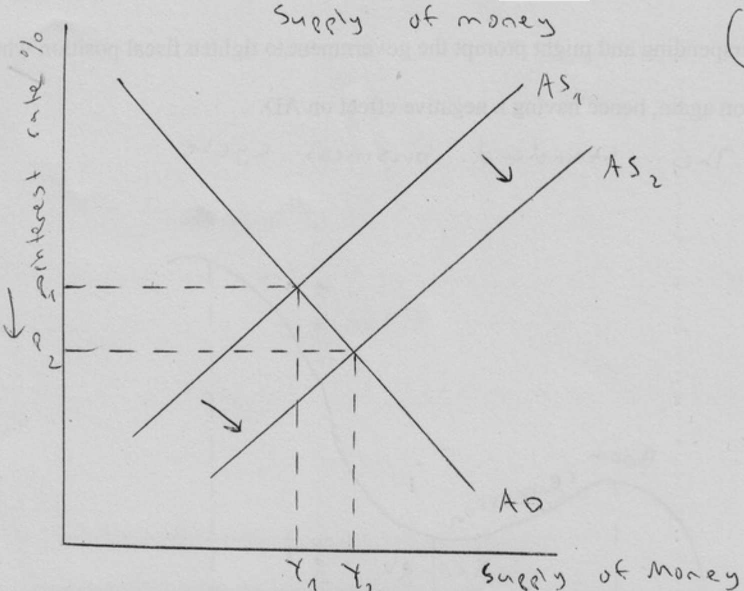
(figure 2) The standard business cycle




As proved above, government spending has some disadvantages both in short and long run. Monetary policies can also encourage economic recovery.

Monetary policy refers to printing more money or decreasing interest rates, thus increasing money supply in an economy. It is usually done by central bank of a country. Increase in supply is illustrated in (figure 3).

Supply of money (figure 3)

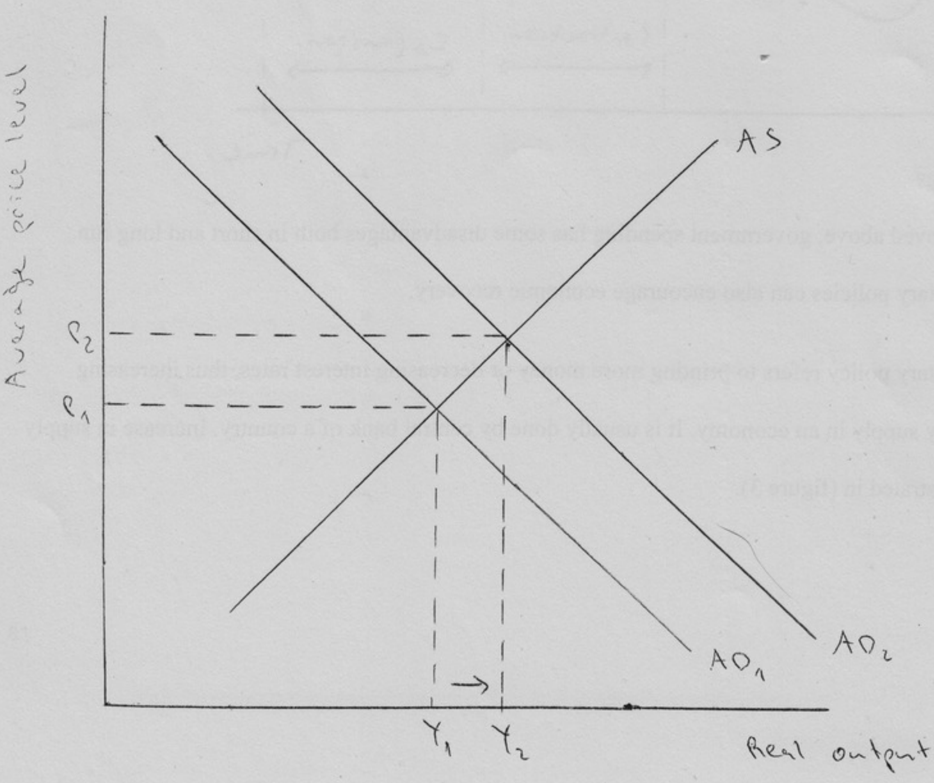



✓

The graph represents shift of AS from AS1 to AS2, causing interest rates to lower from P1 to P2.

As illustrated on (figure 4), Due to the lower interest rates the AD will increase from AD1 to AD2 thus increasing real GDP from Y1 to Y2 and therefore encouraging economic growth.

(figure 4) Increase of AD through monetary policies



This while being a good way of increasing AD of the economy has some disadvantages, yet they are not as significant as in case of fiscal policies. Time lag would be the main disadvantage of the monetary policies. Unlike fiscal policies, monetary policies take longer time, since decrease in interest rate is not directly translated into economic recovery. Also it increases inflation as shown on (figure 4) where price in the economy increases from P1 to P2 due to the higher demand. However, trade-off between unemployment and inflation exists. Although inflation increases, the employment also increases from Y1 to Y2, hence depending on what the aim of government is this might or might not be a disadvantage.

Although fiscal policies can help Malawi to achieve their goal of economic recovery, there are some problems that it creates. These problems significantly affect different stakeholders and might actually draw the economy back. However, since monetary policies can lead to economic growth with lesser problems, there is no clear need for fiscal policies.

# 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 | Georgia reports hike in egg imports |
| Source of the article | Vorotnikov, Vladislav. "Georgia Reports Hike in Egg imports." WorldPoultry. N.p. 10 Sep. 2013. Web. 10 Mar. 2014. <http://www.worldpoultry.net/Layers/Markets-Trade/2013/9/Georgia-reports-hike-in-egg-imports-1358246W/>. |
| Date the article was published | 10/09/2013 |
| Date the commentary was written | 07/11/2013 |
| 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<br>☐ Section 2: Macroeconomics<br>☑ Section 3: International economics<br>☐ Section 4: Development economics |

# Georgia reports hike in egg imports

By Vladislav Vorotnikov

Sep 10, 2013

(worldpoultry)-**Georgia significantly increased its level of egg imports during the first half of 2013 compared to the same period last year, the country's National Statistical Department has reported.**

According to the report, the amount of eggs imported into Georgia has increased by almost 800%. In the first half of 2013, Georgia imported more than 13 million eggs; in the same period last year only 1.5 million eggs were imported.

Market experts suggest that the rise is attributed to the fact that imported eggs are exempt from certain types of taxes and duties. Turkey, Moldova and Ukraine are the main exporters of eggs to Georgia.

The fact that the market has been flooded with foreign eggs has seriously harmed domestic egg production, prompting Georgian egg producers to express their concern with the situation.

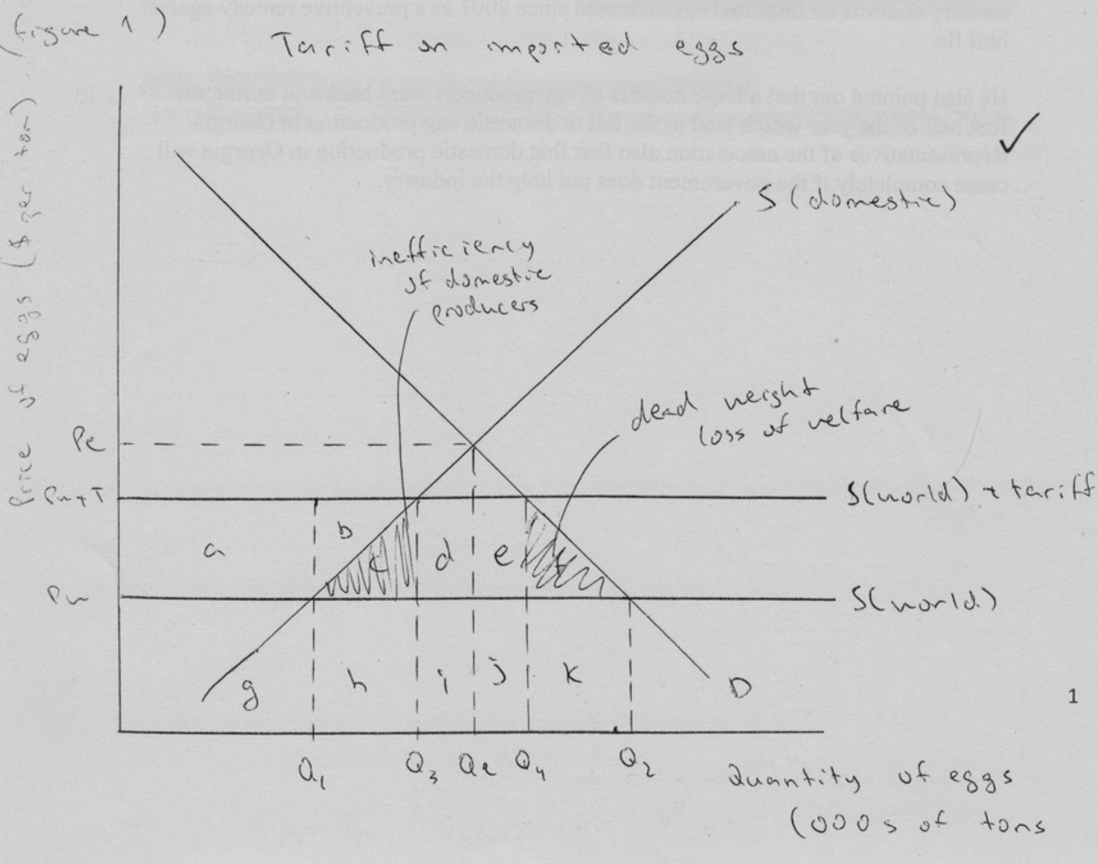
According to Zurab Uchumbegashvili, Chairperson of Association of Georgian Poultry Enterprises this happened because the new government cancelled strict sanitary controls on imported eggs adopted since 2007 as a preventive remedy against bird flu.

He also pointed out that a large number of egg producers went bankrupt during the first half of the year which lead to the fall in domestic egg production in Georgia. Representatives of the association also fear that domestic production in Georgia will cease completely if the government does not help the industry.

"Georgia reports hike in egg imports"

The article centers around the idea, that Georgia's imports of egg has increased significantly during the first half of 2013, due to government's decision to exempt those countries from protectionism like tariff, a tax imposed on imported goods and services and other "strict sanitary controls" which were adopted since 2007. The benefits of removing protectionism are limited when compared to disadvantages that it offers to Georgian egg market and consumers. The following paragraphs will discuss the issue, while considering different stakeholders and short run and long run implications.

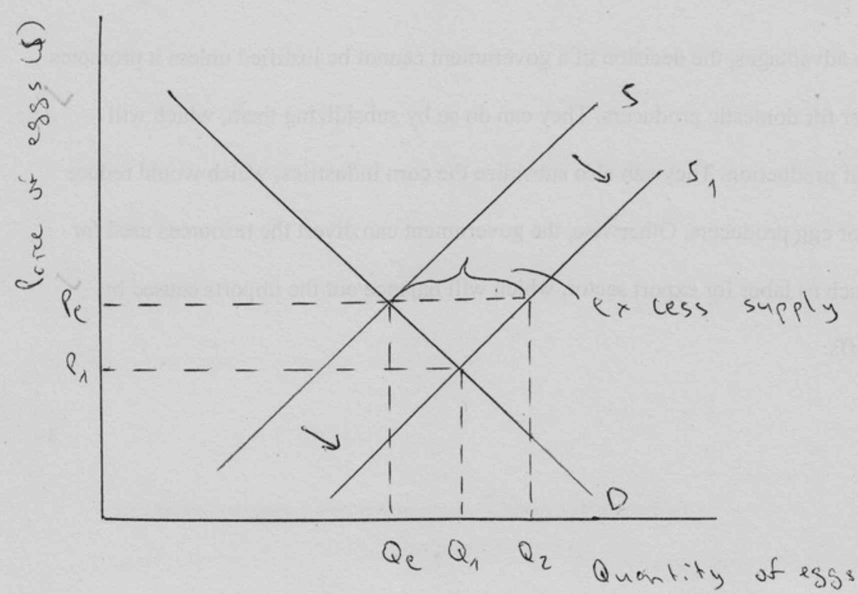
According to the article, the amount of eggs imported into Georgia has increased by almost 800%. The increase of imports is due to the fact that government took off tariffs on imported eggs, which according to Zurab Uchumbegashvili was "adopted since 2007". The effect of removal of tariff on the number of imports can be illustrated on graph (figure 1)



The world supply curve S (world) was shifted upwards to S (world) + tariff when tariff was imposed. A foreign import of eggs was from Q3 to Q4 equivalent to "1.5 million eggs", while domestic producers supplied quantity of eggs on the market from 0 to Q3. The revenue of domestic producers was g+a+b+c+h while the revenue of foreign producers was only i+j. the price of imported eggs was Pw+T. once tariff was removed, the S (world) + tariff shifted back to S (world). The price of the eggs decreased from Pw+t to Pw. At this point revenue of foreign producers increased from i+j to h+i+j+k thus their imports increased from Q3 to Q4 to Q1 to Q2 equivalent to "13 million eggs". This is essentially beneficial for foreign producers. Domestic producers however, will suffer. The theory of tariff suggests that domestic production decreased to 0Q1. However, this will not be evident in the short run, because the poultry is not a flexible industry since chicken will continue laying eggs. Therefore, domestic producers will be unable to allocate resources to keep up with the changes. In the short run therefore, there will be excess supply of eggs in the economy as illustrated on (figure 2) where supply (S) shifts to (S1) due to more eggs on the market. In the long run however, the changes suggested by the theory will take place. Domestic production will decrease to 0Q1 resulting in the decrease of revenue of domestic producers from g+a+b+c+h to just g.

-> because of the higher domestic prices

(figure 2) Excess supply



Domestic production decreases because at price of Pw domestic producers can't cover the costs. Foreign producers have lower costs and are able to supply at a lower price of Pw. Domestic producers can't compete because of their higher prices and will decrease the supply to 0Q1 eggs. The future effect of the issue can be predicted. If government takes no measures, the domestic producers will either continue to compete at that price and eventually bankrupt, as already evident from the article, or will quit the market. The close of firms will lead to unemployment. Moreover, Egg market of Georgia will be overly dependent on imports. This is especially dangerous, since the removal of sanitary controls brings up the concern that foreign countries might export low quality eggs. Besides government won't get the revenue of d+e from the tariff anymore. Therefore, all stakeholders: consumers, producers and government suffer from such decision.

Lifting tariffs has its advantages. The price for consumers decreased from Pw+T to Pw, which results in increase of demand from Q4 to Q2 (figure 1). However, they might as well be paying for lower quality product because of removed sanitary controls. It could be argued, that government prompts the competition in the egg market, which follows the rules of WTO (world trade organization). However, it could be argued that competitive power of domestic producers is restricted, which debunks such argument.

Having few or no advantages, the decision of a government cannot be justified unless it promotes competition power for domestic producers. They can do so by subsidizing them, which will reduce the costs of production. They can also subsidize the corn industries, which would reduce the cost of corn for egg producers. Otherwise, the government can divert the resources used for egg production such as labor for export sector, which will balance out the imports caused by removing the tariffs.

As evident, there are few or no advantages to such decision. Considering all the disadvantages however, the decision of government to lift tariffs and other controls cannot be justified, unless it increases the competition power of domestic producers.