**Criterion A**

**Read the below article and answer the questions below:**

The last ten years have brought a structural change to the world oil market, with changes in demand increasingly playing a role in maintaining the supply/demand balance.  These changes will come at an increasingly onerous cost to our economy unless we take steps to make our demand for oil more flexible.

We're not running out of oil.  There's still plenty of oil still in the ground.  Oil which was previously too expensive to exploit becomes economic with a rising oil price.  To the uncritical observer, it might seem as if there is nothing to worry about in the oil market.

Unfortunately, there is something to worry about, at least if we want a healthy economy.  The new oil reserves we're now exploiting are not only more expensive to develop, but they also take much longer between the time the first well is drilled and the when the first oil is produced.  That means it takes longer for oil supply to respond to changes in price.

In economic terms, the oil supply is becoming less *elastic* as new oil supplies come increasingly from unconventional oil.

Keystone XL is a pipeline system designed to bring oil from Canada to the refineries near the Gulf of Mexico, as well as to boost crude oil production in the United States, Sounds like a great idea, right? A pipeline that would move much needed crude oil to the Gulf refineries would increase oil production for manufacturing needs, reduce price pressure at the gas pump, and increase overall economic growth. Supporters argue that the pipeline is one of the safest pipelines built yet, and would reduce America’s dependence on politically vulnerable Middle Eastern oil imports.

Not so fast, say its critics. The Keystone XL would be constructed over an enormous aquifer (one of the largest in the world) in the Midwest, and through an environmentally fragile area in Nebraska, causing great concern among environmentalists about possible destruction to the natural surroundings and forests. They argue that leaks could taint valuable water sources and construction of the pipeline could disrupt and even harm indigenous species. Environmentalist groups have fought government approval of the proposed construction of the pipeline, and as of press time the pipeline projects remain stalled.

Of course, environmental concerns matter when discussing issues related to economic growth. But how much should they factor in? In the case of the pipeline, how do we know how much damage it would cause when we do not know how to put a value on the environment? Would the benefits of the pipeline outweigh the opportunity cost? The issue of how to balance economic progress with unintended effects on our planet is the subject of this module.

**Answer the following questions:**

1. Define the term price elasticity of supply. (Criterion A) (2marks)
2. Is supply for oil elastic or inelastic? Explain your answer using the information from the above source. (Criterion D) (4 marks)

1. Define Opportunity Cost. What are the opportunity costs of building a pipeline? (Criterion A) (3 marks)

1. Identify two factors of production from the extract. (2 marks)

**SECTION B**

1. You are working with public health services in UAE and you are conducting investigation on impact of excise taxes on consumption of demerit goods in UAE.

Imagine your MYP Economics teacher has given you the following statement of inquiry:

“Indirect taxes are implemented to discourage consumption of demerit goods like cigarettes and alcohol.”

1. **Formulate** a clear and focused research question to investigate the statement of inquiry.

(2 marks)

1. **Justify** relevance of your research question. (4 marks)
2. **State** 2 sub questions relevant to the investigation. (2 marks)

**Possible responses:**

1. **List** two stakeholders who might have an interest in your investigation. (2 mark)

1. **Justify** why one of the stakeholders you have listed would have an interest in your investigation. (2 mark)
2. **State** one method of primary information/data collection you would use to help you investigate your research question. (1 mark)
3. **Outline** how the method of primary information/data collection stated in part would help you investigate your research question. (3 mark)

**SECTION C**

<https://youtu.be/9EseSEgLsvU>

<https://www.youtube.com/watch?v=Ktqug0YEp4Q>

Write a letter to your parent explaining why mixed economic system is preferred over the market system. You should make use of the sources above in your letter.

Use Global Context “Fairness and Development” in your answer.

Your answer should include:

* Definitions of both market system and mixed economic system
* Advantages and disadvantages of both the systems
* Comparison of the two systems in terms of why mixed economic system is better
* Relationship with Global Context “Fairness and Development”
* Informed Conclusion

(Criteria – A, C, D 8 marks each)

**SECTION D**

**Fairness and development**

Sharing the planet: an inquiry into rights and responsibilities in the struggle to share finite resources with other people and with other living things; communities and the relationships within and between them; access to equal opportunities; peace and conflict resolution.

Explain how the following topics is related to the Global Context,**” Fairness and Development”.**

|  |  |
| --- | --- |
| **Topic** | **Description** |
| **The basic economic problem** |  |
| **Demand and supply** |  |
| **Production** |  |
| **Growth of Firms** |  |
| **Competition** |  |