

Title of Article A cigarette tax hike in Maryland would increase smuggling	Source of Article The Washington Post Date accessed: 11,01,2021	Date the commentary was written January 14, 2021
Word Count of Commentary 799	Unit of Syllabus to which the Article Relates Unit 2, Microeconomics	Key Concept: Intervention

<https://www.washingtonpost.com/opinions/2021/01/14/cigarette-tax-hike-maryland-would-increase-smuggling/>

by Michael LaFaive and Todd Nesbit

Jan. 14, 2021 at 4:00 p.m. GMT+1

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As the Maryland General Assembly’s 2021 session gets underway, lawmakers will consider a tax hike bill previously vetoed by Gov. Larry Hogan (R). It has several parts, but the cigarette tax increase should cause some consternation. [House Bill 732](#) would raise cigarette taxes by \$1.75 per pack and raise taxes on other products as well. Maryland lawmakers should consider all the consequences of this proposal.

Together, we wrote several studies on the relationship between cigarette excise taxes and illegal cigarette smuggling. **We estimate that in 2018 Maryland’s smuggling rate was a rather modest 9.3 percent. That is, of all cigarettes consumed in Maryland that year, about one in 10 were smoked as a result of tax evasion and avoidance. But that rate could leap to a stunning 47.4 percent if lawmakers raise the cigarette tax higher,**

to the proposed \$3.75 per pack. That would give Maryland the third-highest smuggling rate in the nation, behind only New York and California.

Our statistical model compares legal paid sales with smoking rates for each state. The difference between the amount legally sold and the amount smoked must be explained somehow, and we and other scholars lay it at the feet of tax evasion and avoidance, or smuggling. In addition to estimating the smuggling rate, we also estimate that the majority of smuggled smokes will be of the casual variety. The remainder comes from smuggling in the form of organized crime, when illicit smokes are sometimes hauled in from long distances.

Casual smugglers are typically individuals who cross over a border or shop online for their own products. Maryland's neighbor Virginia imposes a cigarette tax rate of only 60 cents per pack. If Maryland hikes its cigarette excise tax to \$3.75, expect consumers to make a run for the Old Dominion border.

High excise taxes on cigarettes encourages smuggling, but it has other effects, too. One effect is brazen lawlessness that has included retailer and wholesaler thefts, hijackings, violence against people, property and police and public corruption.

In 2012, a Prince George's County police officer was *sentenced for his role in a smuggling operation*. It was reported then that he had used his official patrol car to escort illicit smokes to their destination. Just last month, a former Maryland corrections officer was sentenced to more than two years in federal prison for her role in smuggling tobacco, drugs and other contraband into a Maryland prison. If the state can't keep illegal tobacco out of its prisons, how does it expect to keep illicit smokes from crossing its porous borders?

All of this law enforcement hassle might be worth it if the tax hikes cause smokers to quit in the numbers predicted by some officials, and society gains from improved

public health. Frequently we've seen lawmakers and others simply point to a decline in the legal purchase of cigarettes and say, "The tax hike worked." But research shows that up to 85 percent of after-tax hike changes in legal sales may be a function of tax evasion and avoidance and not from quitting.

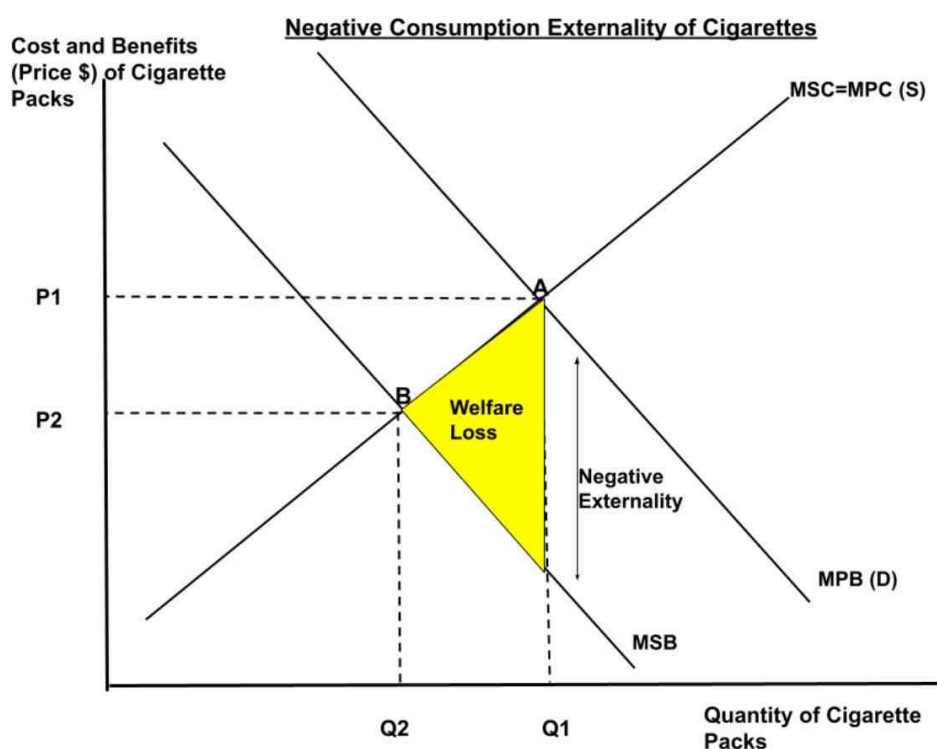
None of this is to say that we support smoking. Neither of us smokes cigarettes, and we don't want anyone else to either. But we do believe there are more reasonable harm-reduction strategies available to public officials than ever-higher excise taxes. One involves persuasion.

The Campaign for Tobacco Free Kids, a D.C.-based advocacy organization, reports that in fiscal 2020 Maryland brought in more than \$513 million in tobacco revenue. It spent only \$10.5 million, however, on tobacco cessation and prevention programs, about one-fifth of what the Centers for Disease Control and Prevention recommends. Tobacco Free Kids points to studies that show well-funded state programs help to reduce smoking rates.

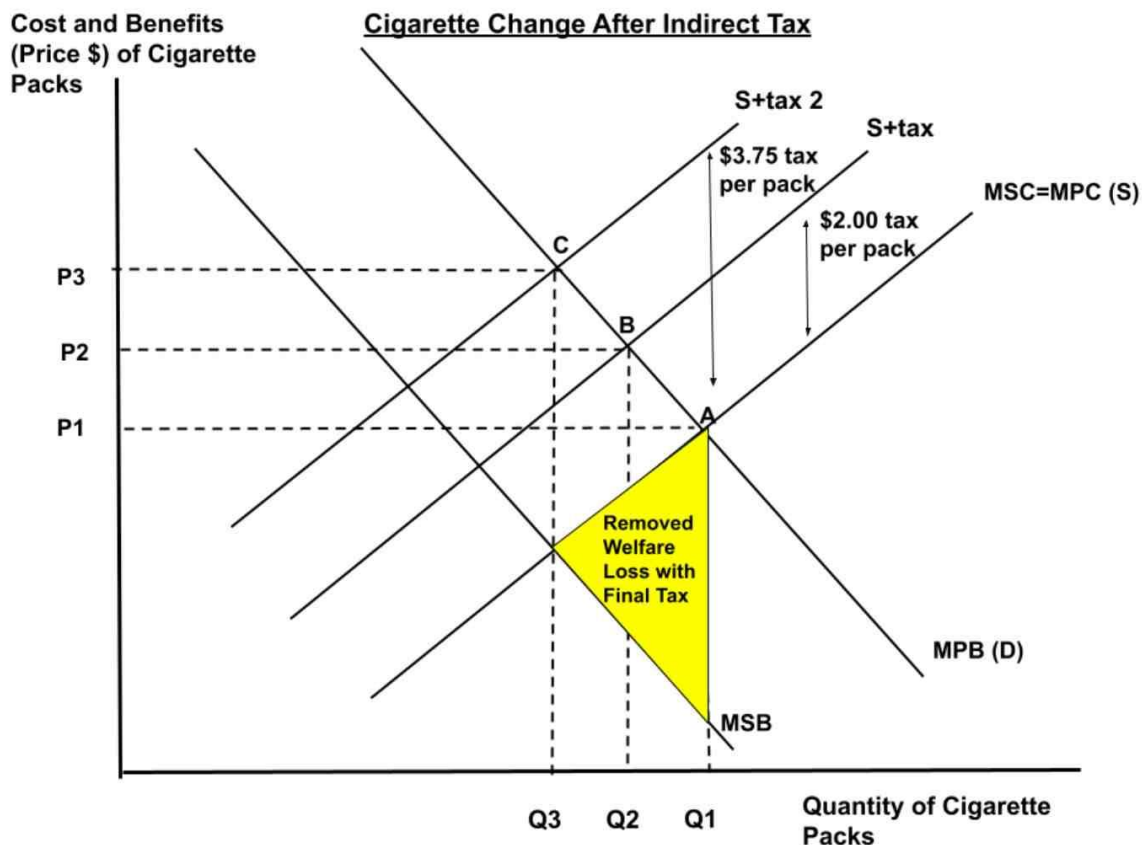
We don't doubt that the majority of people who cheer for higher sin taxes on cigarettes mean well. But it is important for supporters of higher excise taxes to recognize the costly unintended consequences they bring. Massive smuggling, public corruption and violence toward people and property are just a few. If the aim is to improve public health overall, all of these factors should be taken into consideration before raising cigarette taxes again.

Microeconomics Unit 2 Commentary:

This article concerns how Maryland is considering **intervention**, in which governments become involved in a market to prevent market failure and reach certain societal goals. Maryland intends to **intervene** by increasing a cigarette excise tax, which is a tax imposed on products in order to decrease demand. Cigarettes are a demerit good, which are worse for consumers than they realize and cause negative externalities, which are negative impacts on a third party and a type of market failure.

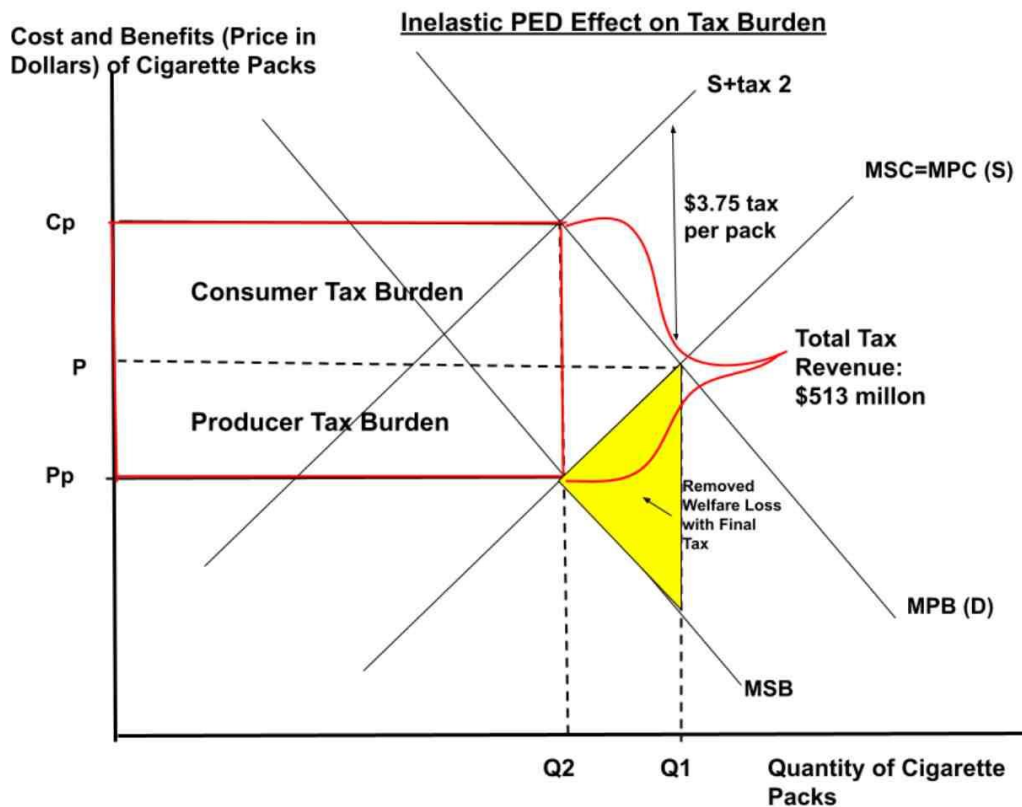


The cigarette market is currently failing since MPB is more than MSB because consumers ignore the negative effects on 3rd parties such as future medical costs paid for by others, second hand smoke related illnesses etc. This means that they will over-consume cigarettes at Q1, P1. The socially efficient output is at Q2, which means there is over consumption of Q1 to Q2. In order to address this the government is **intervening** and increasing the existing indirect tax.



The government **intervenes** by increasing the “excise tax to \$3.77” from the previous \$2.00. In the diagram, price increases to P3 from P2, and output is reduced from Q2 to Q3. Assuming the tax is now set optimally, this will place the market at allocative efficiency (equilibrium C, P3/Q3), thus eliminating the negative externality and welfare loss. Originally, the government could have mis-estimated the size of externality and set the \$2 tax too low thus undershooting. The increase in tax to \$3.75 would correct this.

However, the government will not be able to exactly measure the externality’s size, for example how many people have had health complications due to secondhand smoke, leading to only a reasonable estimate being made. However, if the government is able to use sophisticated statistical models for estimating the external costs the under or overshooting can be reduced.



Because cigarettes contain nicotine which is addictive, PED tends to be inelastic. This means that the tax burden is placed on consumers more than producers. Also, lower-income individuals that are addicted would be affected more due to spending a larger portion of their income on cigarettes, which could further reduce their living standards.

Another problem of this **intervention** method is the rise of tax-evasion. The article mentions that lawmakers think that the decline in the legal consumption of cigarettes means the tax is working; however the article also mentions "...that up to 85 percent of after-tax hike changes in legal sales may be a function of tax evasion and avoidance and not from quitting." This demonstrates the importance of good policing measures if they are to **intervene** effectively.

In addition, cigarettes are being bought through legal "smuggling" from other states and if the taxes are raised, the smuggling rate of "one in 10" cigarettes consumed in Maryland could rise to "a stunning 47.4 percent..." since people will have a greater incentive to bring cigarettes back into Maryland from Virginia where "Maryland's neighbor Virginia imposes a cigarette tax rate of only 60 cents per pack." Smuggling can also lead to "retailer and wholesaler thefts, hijackings, violence against people, property and police and public corruption." This demonstrates that imposing a higher indirect tax may lead to illegal activity, in which the exact level of consumption is unknown.

Smuggling due to the indirect tax would also reduce tax revenue. In 2020, “Maryland brought in more than \$513 million in tobacco revenue.” However, this revenue will be reduced if smuggling increases. Therefore, the **intervention** may be counterproductive in the sense that black market sales and legal smuggling of cigarettes from other states will increase, reducing Maryland’s tax revenue. However, using other **intervention** methods such as bans would not bring in any government revenue at all.

In addition, at present the state only spends “\$10.5 million” of the \$513 tax yield “on tobacco prevention programs, about one-fifth what the CDPC recommends.” It is essential that the tax revenue is fully hypothecated to help educate people through awareness campaigns, providing de-addiction centers etc, to decrease consumption of cigarettes in the long-run and increase PED. For example, “Tobacco Free Kids points to studies that show well-funded state programs help to reduce smoking rates” as young people are more susceptible to change, which would then reduce cigarette demand and make PED more elastic. However, by hypothecating every penny to help reduce consumption, there is an opportunity cost because the money could be used on other useful things.

Overall, despite the **intervention** reducing the negative externality, the increase in prices may cause cross-state legal “smuggling” and black market sales and be ineffective due to the inelastic PED. Therefore, it is important to accurately estimate the externalities to achieve allocative efficiency. The tax should also be used in combination with non-market based **intervention** methods such as hypothecation of the tax revenue to school education programs.

Word count: 799

<p>Title of Article and URL https://edition.cnn.com/2021/08/06/business/inflation-fed-manchin/index.html</p> <p>'Increasingly alarmed.' Joe Manchin goes after the Fed on inflation</p>	<p>Source of Article and Date</p> <p>CNN Business September 2nd, 2021 Accessed: 22,09,2021</p>	<p>Date the commentary was written (within 1 year)</p> <p>September 23, 2021</p>
<p>Word Count of Commentary 800</p>	<p>Unit of Syllabus to which the Article Relates</p> <p>Macroeconomics Monetary and Fiscal Policy 3.5/ 3.6</p>	<p>Key Concept:</p> <p>Change</p>

Article

'Increasingly alarmed.' Joe Manchin goes after the Fed on inflation

By Matt Egan

New York (CNN Business) Democratic Senator Joe Manchin is taking the Federal Reserve to task over inflation.

In a Thursday letter to Fed Chairman Jerome Powell, Manchin called for the US central bank to immediately reverse course and remove stimulus support for the economy before it overheats.

"With the recession over and our strong economic recovery well underway, I am increasingly alarmed that the Fed continues to inject record amounts of stimulus into our economy," the moderate lawmaker from West Virginia wrote.

Manchin credited Fed policies as "instrumental" to helping America avoid a long-term economic crisis from Covid. However, he urged Powell and other Fed officials to scale back the \$120 billion worth of bonds the central bank is purchasing each month.

"It is imperative we begin to understand that long term policy responses tailored for an economic depression," Manchin wrote, "may not be what is required for today's economy and could result in higher than desired inflation if not removed in time."

Manchin's critique was not exclusive to the Fed. The Democrat said he is "deeply concerned" that the Fed stimulus, on top of proposals for additional fiscal stimulus, "will lead to our economy overheating and to unavoidable inflation taxes that hard working Americans cannot afford."

A Fed spokesperson said the central bank has received the letter and plans to respond.

Inflation is here. For how long?

The criticism comes after consumer prices spiked in June at the fastest annual pace since 2008. Everything from used cars and airfare to laundry machines and bacon has become more expensive.

The Fed, White House and many economists argue this bout of inflation will be temporary, fading as supply catches up to surging demand and the economy gets back to normal, or something close to normal.

"We won't have an extended period of high inflation," Powell said at a press conference on July 28. "We think that some of it will fall away naturally as the process of reopening the economy moves through."

However, Powell, whose term expires in February, acknowledged it "could take some time" for prices to fade. Powell emphasized the Fed won't hesitate to step in if inflation expectations get out of whack.

The Fed's task is being further complicated by the Delta variant, which could ease inflation in the short term but make supply chain issues even worse in the medium and long run.

'They need to be careful'

Some Wall Street CEOs and strategists share Manchin's concerns about inflation and Fed policy.

JPMorgan (JPM) CEO Jamie Dimon and BlackRock (BLK) CEO Larry Fink have both recently said they don't think inflation will be temporary.

The blockbuster July jobs report supports the case that the economy doesn't need emergency stimulus from the Fed right now. The report showed the United States added 943,000 jobs last month — the most since last summer.

Rick Rieder, BlackRock's chief investment officer of global fixed income, wrote in a note that Friday's jobs report shows the economy is "very close" to maximum employment and may be at risk of an "overheating" in some areas. He urged the Fed to begin tapering its bond purchases.

"The Fed has done a very admirable job in guiding policy through the pandemic period," Rieder wrote, "but they need to be careful at this stage not to inadvertently undermine much of that progress."

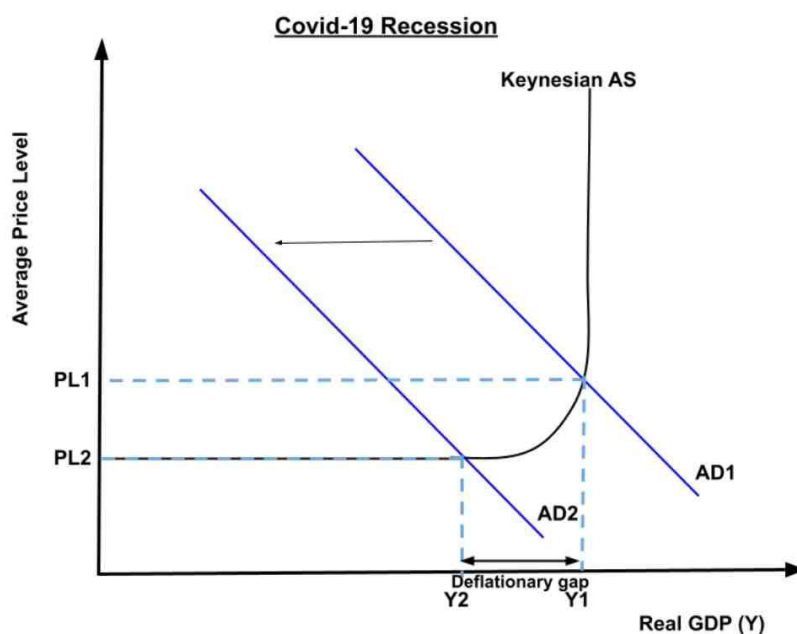
Despite Manchin's concerns about fiscal stimulus, the Biden administration's \$4 trillion Build Back Better agenda is not the kind of a short-term injection of support for the economy that would typically fan inflation. Instead, it represents a long-term investment in roads, bridges, childcare and worker training — all steps that could ease inflation and boost productivity.

"Worries that the plan will ignite undesirably high inflation and an overheating economy are overdone," Mark Zandi, the chief economist at Moody's Analytics, wrote in a report released last month. "Much of the additional fiscal support being considered is designed to lift the economy's long-term growth potential and ease inflation pressures."

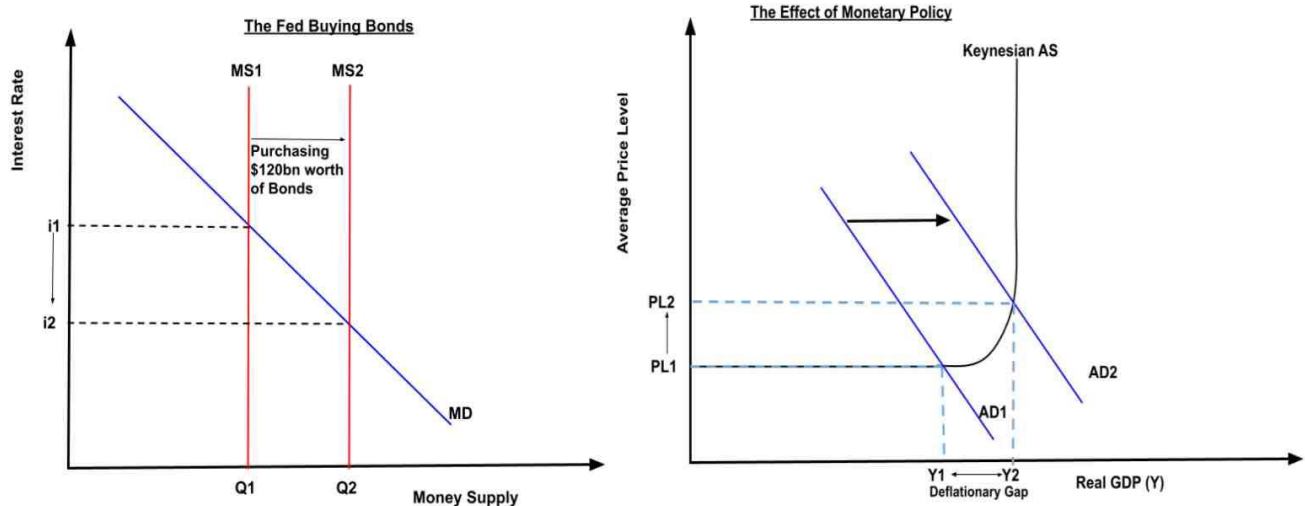
Commentary

The U.S economy is experiencing inflation due to expansionary monetary and fiscal policy used during the covid recession. US politician Manchin fears the occurrence of overheating if government policy isn't amended in response to the constantly **changing** economy. Expansionary monetary policy involves using interest rates and money supply to increase AD, whilst expansionary fiscal policy involves deliberate manipulation of T and G to increase AD.

Economics focuses on **change** because economies are always in a "state of flux," from one situation to another and subject to change at "institutional, structural, technological, economic, and social levels" (Specification 2022). Covid caused a **changing** economic situation, but some senators think the policies implemented to deal with it are "not what is required for today's economy."



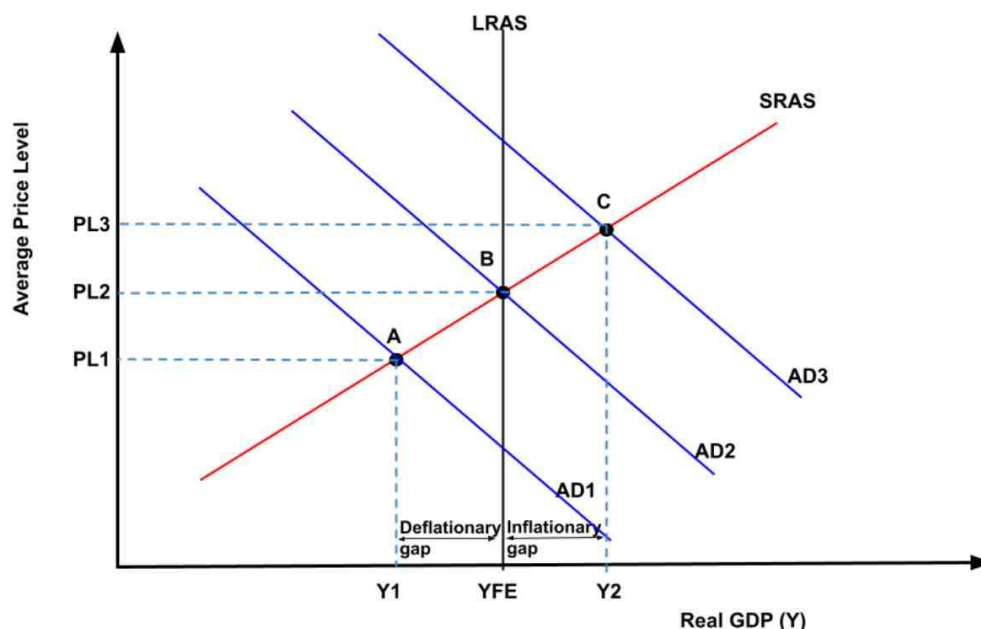
Social **changes** like increased death rates, illness, absenteeism caused by covid led to a significant economic recessionary **change** resulting from falling C and I due to low confidence and lower business output, causing AD1 to shift to AD2 lowering GDP from Y1 to Y2 and PL1 to PL2. To close the deflationary gap, QE was used, which allows the central bank to inject money into the economy.



Buying bonds increases MS from MS1 to MS2 by “\$120 billion worth of bonds”, so IR falls from i_1 to i_2 , incentivizing consumers to borrow money for houses etc. and firms to buy capital for investment, increasing AD1 to AD2, and Y_1 to Y_2 . Here, the Fed is trying to increase growth using monetary policy to deal with covid causing an economic crisis in which economic variables are in a constant flux.

Monetary policy, compared to fiscal, is flexible, easily reversible, and has short time-lags. With covid-19 causing unpredictable, swift **changes**, flexibility is beneficial in rapidly adjusting to the economic state. Fiscal policy, particularly LR interventionists measures like building infrastructure in Biden’s “Build Back Better Agenda”, is difficult to reverse. There are also time-lags between G and its impacts, so by the time they occur the economy may have already started **changing** and growing, meaning G will exacerbate rather than stabilize the economic cycle.

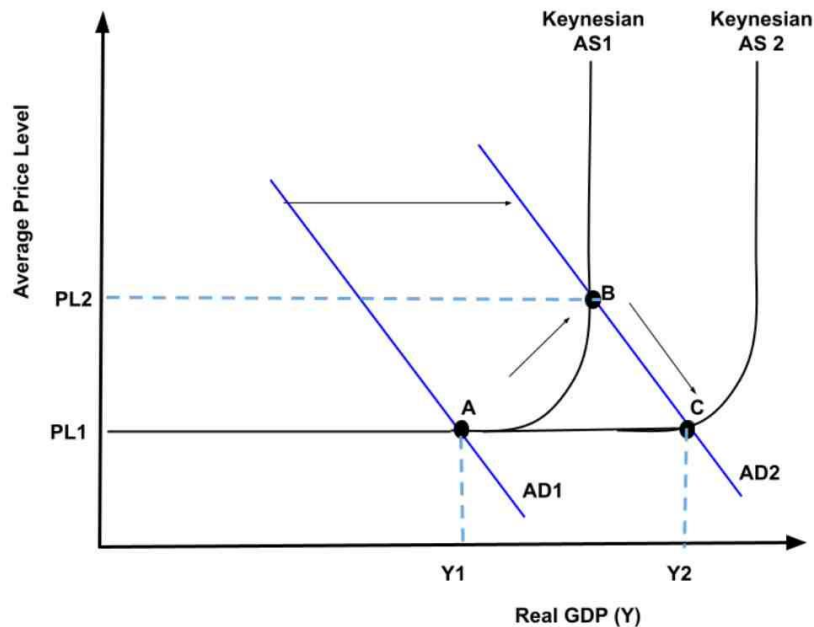
One problem with combining monetary policy with other expansionary policies is overheating since the government and central bank’s decision making will not be aligned and so combined the stimulus may be too great. Additionally, multiplier and accelerator effects will boost AD further, and the stimulus may shift GDP more than intended stimulus. Because the economy is changing, some politicians argue the Fed should “reverse course and remove stimulus support...before [the economy] overheats,” because the growth is unsustainable and increased AD will cause inflation not GDP increase.



The combination of expansionary policies is intended to move the economy from A to full employment at B at YFE and PL2; however, due to the stimulus being too great, the economy moves to point C, with a real output at Y2 and the PL at PL3, creating an inflationary gap, that will lead to “unavoidable inflation taxes that hard working Americans cannot afford.” Because savings rates increased during the pandemic, this would be a bigger problem than in normal economic times as more people will be affected by the fall in the value of savings.

Another problem is the limited scope of IR changes when close to zero. During covid, the benchmark IR was near zero, reducing the effectiveness of monetary policy since there is no room to lower interest rates to further kick-start the economy. This is why QE was used, but according to monetarists, that without real GDP increasing at the same rate as MS, inflation may build up in the LR even if the inflation is not seen in the SR.

The article mentions expansionary fiscal policy with supply-side effects and highlights that “the Biden administration's \$4 trillion Build Back Better agenda is not...a short-term injection...that would typically fan inflation”; the agenda is “a long-term investment in roads, bridges...that could ease inflation and boost productivity.” Therefore, the policy will promote supply-side improvements and stable non-inflationary growth in the **changing** economy.



With expansionary demand-management policy there is a trade-off between unemployment and inflation, but if the AS1 curve shifts to AS2 as above in the LR then this is avoided as PL2 falls back to PL1. However, there could be increased government debt, and while this debt may be sustainable in the SR, the government will eventually have to cut spending or increase taxation.

Overall, to best deal with **changing** economic circumstances and the recessionary state while avoiding overheating, the Fed should continue SR QE as a good method to kick start the economy. In the LR, a combination of fiscal policies with supply-side effects and monetary policy would be best, however this may mean there needs to be a reduction in QE to best avoid the possibility of overheating.

<p>Title of Article and URL</p> <p>American Whisky Will Flow Back Into The EU Free Of Hefty Tariffs</p> <p>https://www.forbes.com/sites/taranurin/2021/10/30/american-whiskey-will-flow-back-into-the-eu-free-of-hefty-tariffs/?sh=4e3a03b04784</p>	<p>Source of Article and Date</p> <p>Forbes</p> <p>October 30, 2021</p> <p>Accessed: 14, 11, 2021</p>	<p>Date the commentary was written (within 1 year)</p> <p>November 16, 2021</p>
<p>Word Count of Commentary (under 800) 800</p>	<p>Unit of Syllabus to which the Article Relates</p> <p>Unit 4 Global Economy, International trade</p>	<p>Key Concept:</p> <p>Interdependence</p>

Article

American Whisky Will Flow Back Into The EU Free of Hefty Tariffs

By Tara Nurin

Ding dong, just in time for Halloween, the whiskey tariffs that have seriously hampered trade between the United States and European Union (EU) for the past three years appear to be as dead as the wicked witch of Wizard of Oz. Though a formal announcement isn't coming until Sunday, US Commerce Secretary Gina Raimondo told reporters Saturday afternoon that the two trading partners have negotiated an end to most of the controversial Trump-era tariffs on European steel and aluminum. As a result, the retaliatory tariffs that were implemented first by the EU and, as a **counter-move**, the US, will go away along with them.

Chris Swonger, president and CEO of the Distilled Spirits Council (DISCUS), says, "After three very difficult years of sagging American Whiskey exports, the EU and U.S. are back to a zero-for-zero tariff agreement on distilled spirits, which has been instrumental to our export success and job creation on both sides of the Atlantic since 1997. Lifting this tariff burden on American Whiskeys not only boosts U.S. distillers and farmers, it also supports the recovery of EU restaurants, bars and distilleries hit hard by the pandemic."

According to DISCUS, American whiskey exports to its largest trading bloc fell 37% in the two years after the EU imposed the tariffs on whiskey and other iconic American products in 2018 — from \$702 million to \$440 million. However, whiskey exports to Japan, the US's single largest nation to import the brown liquid, also dropped — almost 16% — over that period. Whiskey comprises 61% of the value of all American spirits exports.

“We have a long way to go, but are fully committed to building back American Whiskeys better in the EU,” says Swonger.

On Friday, 74 American and European trade associations representing industries unrelated to the steel and aluminum dispute yet harmed by the punitive tariffs released a joint letter to leaders on both continents to resolve the trade war on metal so they can focus on recovering from the pandemic.

“The last 18 months have been particularly challenging due to the COVID-19 crisis,” reads the letter. “We are only slowly starting to rebound from this crisis, while facing supply chain and logistics disruptions. Tariffs, and the threat of tariffs, are acting as major barriers at a time when we want to focus on creating jobs, growth and investments in both Europe and the United States.”

The nations only had a few days left to make an agreement before the EU was set to begin taking action to double its 25% tariff on American whiskey by December 1. The December deadline had been agreed to back in May, when the rate was initially supposed to rise to 50% on June 1. The United States had surprisingly imposed new tariffs on certain European wines and spirits in January 2021 then suspended them later in the year.

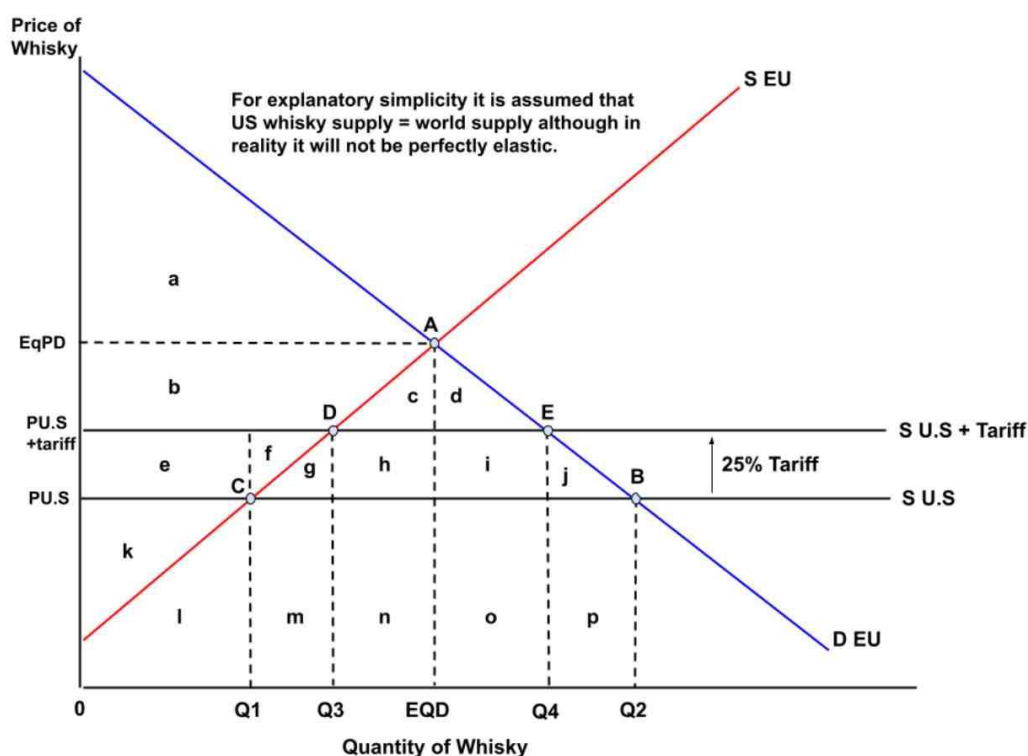
The United Kingdom has not joined the EU in pledging to remove its own 25% tariff on whiskey if and when the US lifts the metal restrictions. It launched a study of US trade barriers in May but hasn't yet announced any decisions beyond expressing its wish last spring that the US resolve all of its disputes with the international steel and aluminum industries.

“While the UK's 25% tariff on American Whiskeys in the Section 232 steel and aluminum dispute continues to apply, we anticipate that the UK and US will move swiftly to reach a similar agreement,” says Robert Maron, vice president for international trade for DISCUS.

The UK and EU imposed a 25% tariff on American rums, brandies and vodkas (plus some wines) in November 2020 to protest America's actions in a trade dispute over Boeing BA-2.9% and Airbus. According to DISCUS, UK officials didn't uphold that tariff when it formally withdrew from the EU the following month, and in June 2021, the EU and US suspended its own retaliatory tariffs in the airplane manufacturer dispute for five years.

Commentary

The EU decided to lift the 25% tariff on American Whisky, so “the EU and U.S are back to a zero-for-zero tariff agreement”. The tariff was due to a trade war between Boeing and Airbus, in which the WTO authorized the EU to retaliate for the US giving illegal subsidies. Tariffs are a type of trade protection in which a specific import tax/duty is imposed, benefiting domestic producers at the expense of other domestic and foreign economic actors or stakeholders. Economics focuses on **interdependence** as economic actors interact within and across nations to achieve economic goals. Free trade exemplifies our **interdependent** world as self- sufficiency is reduced and other nations’ comparative advantages are exploited.



Under free trade, 0-Q2 of whisky would be consumed in the EU at P U.S. Relatively few EU whisky makers are competitive at this price and thus make 0-Q1, whilst Q1 to Q2 is imported. The EU decided to levy a 25% tariff on American whisky as a “countermove” in “November 2020 to protest America’s actions in [the] trade dispute over Boeing” while also protecting the EU whisky industry. This shifted the S U.S curve to the S U.S+tariff, increasing the price from P U.S. to P U.S.+tariff. At this higher price, EU consumers will demand less imports(Q3-Q4). The higher price will allow more EU whisky producers to compete(0-Q1 increasing to 0-Q3).

The positives from the EU perspective is that there will be an increase in domestic producer revenue from $k+l$ to $k+l+e+f+g+m$, an increase in producer surplus from k to $k+e+f$, and the EU will receive tariff revenue of $h+i$. There may also be an increase in jobs in the EU

However, the mis-use of tariffs leads to the distortion of comparative advantages. Less efficient EU producers are producing more, leading to a misallocation of resources. Due to the tariff, **interdependence** between the EU and the U.S is reduced and the EU's self-sufficiency increased as a consequence of reducing American imports whose "whiskey exports to its largest trading bloc fell 37% in the two years after the EU imposed the tariffs on whiskey". Not only do U.S producers' revenues fall from $m+n+o+p$ to just $n+o$, but U.S jobs may be threatened as whisky firms may be forced to close; however, due to the addictiveness of alcohol, whisky may have a low PED, so EU consumption of US whisky may not change greatly.

Additionally, a negative impact of the tariff is that it "acted as a major barrier... at a time when we want to focus on creating jobs, growth and investments in both Europe and the United States," ie, shared economic goals are undermined as **interdependence** is reduced. When tariffs were lifted it supported "the recovery of EU restaurants, bars and distilleries hit hard by the pandemic," since the two economic areas are closely interlinked. Not only does the tariff cause U.S revenues to fall, but EU consumers will pay higher prices and lose consumer surplus from $a+b+c+d+e+f+g+h+i+j$ to $a+b+c+d$. Already affected by the Covid-19 recession, this will further increase the costs of living for consumers, possibly causing there to be less demand in other domestic industries particularly if there is inelastic whisky demand.

The obvious solution to avoid welfare losses, inefficiencies, and possibilities for further retaliations of a tariff is to revert to free trade or "a zero-for-zero tariff agreement", working **interdependently** to achieve economic goals such as stable inflation and economic growth based on comparative advantage. Increased competition will lead to greater pressure to keep costs and prices down with only the most efficient producers surviving. However, a possible disadvantage of this solution is that some countries might become overly **dependent** on foreign countries, making some resources inaccessible during a war as the EU is one of the largest and most important trading partners to the US. Also, free trade may hurt the growth of infant industries, being outcompeted by other more efficient, foreign producers.

Overall, the best solution would be to have free trade and promote **interdependence** between the EU and the U.S for trade, which would allow access to larger markets for domestic and foreign producers, consumers in both areas to buy better quality products at lower prices, and increases in efficiency and improved resource allocation as producers with comparative advantage produce; however, there are times when tariffs might be legitimate to protect infant industries or stop illegal behavior, and the WTO sanctioning of this tariff on US whisky may have had benefits in helping to end the trade war started by the separate Boeing and Airbus dispute.

Micro					Macro					Global					41
Crit A1	Crit B1	Crit C1	Crit D1	Crit E1	Crit A2	Crit B2	Crit C2	Crit D2	Crit E2	Crit A3	Crit B3	Crit C3	Crit D3	Crit E3	Crit F
3	2	3	3	2	3	2	3	2	3	3	2	2	2	3	3

General Comments on criteria across IAs:

A: The candidate's diagrams are drafted extremely professionally on computer and are very clear and accurate. Information in the article is frequently applied (eg. micro \$2, 3.75 tax changes, global 25% tariff) and full and detailed explanations are given in a nicely applied way in the main text.

B: The candidate demonstrates excellent terminological knowledge and is able to deploy even the most complex of economic terms accurately throughout her commentaries in relation to the text, for example, the usage of tax burden and tax evasion in micro is impressive in elucidating their arguments.

C: Concepts and theories are applied in a really developed way throughout each commentary and are tied in extremely impressively to textual information. For example, tax burden in micro, comparative advantage in global and deflationary-gaps and overheating in macro.

D: The key concepts are all different and the respective definitions used effectively to show impressive links between the article and the concept's key ideas across the IAs, for example, the use of intervention to address market failure and pursue societal goals related to the healthcare industry in micro.

E: The candidate makes regular evaluative judgements throughout each IA which are based on extremely strong reasoning founded on balanced analysis. Their conclusions are frequently excellent, such as stressing the need to reduce QE if used in combination with expansionary fiscal/monetary policies in macro to avoid overheating.

Assessment comments

Subject: Economics

Component: Internal assessment

Portfolio D

Commentary 1

Criterion	Marks awarded	Marks available	Comments
A	3	3	Relevant, accurate and correctly labelled diagrams are included. All their explanations are provided in full, particularly that of the second diagram. The third diagram could perhaps have had a more inelastic demand curve, but the explanation is good, and so full marks are awarded.
B	2	2	Economic terminology relevant to the chosen article is used appropriately throughout the whole commentary. Although acronyms are used for marginal private benefit and marginal social benefit, these terms are obviously understood.
C	3	3	Relevant economic theory is applied throughout the commentary. The analysis is thorough, and the occasional theoretical comment does not detract from the effectiveness of the analysis in relation to the article. Full marks are awarded.
D	3	3	The key concept of "intervention" is identified, and the link with the article is fully explained throughout the commentary. Full marks are awarded.
E	3	3	The judgements are thoroughly supported by the article. The reasoning is effective and covers several different aspects of related theory with balance and understanding. Full marks are awarded.
Total	14	14	

Commentary 2

Criterion	Marks awarded	Marks available	Comments
A	3	3	Several relevant diagrams are included in the commentary. They are all accurate and correctly labelled. All the diagrams are fully explained and thus full marks are awarded.
B	2	2	The terminology used throughout the commentary is relevant and appropriate for the chosen article. A few acronyms are used, but they are all explained in context.
C	2	3	Relevant economic theory is applied throughout the commentary. The analysis is appropriate. However, at times, it is very theoretical and the use of quotes lessens the effectiveness. Also, certain concepts such as the multiplier and accelerator are not explained. Two marks are awarded.
D	3	3	The key concept of "change" is identified, and the link between it and the article is well explained. Full marks are awarded.

Criterion	Marks awarded	Marks available	Comments
E	3	3	The judgements are supported by thorough reasoning. The evaluation is effective and considers different aspects with a good balance. The whole article is considered thoughtfully. Full marks are awarded.
Total	13	14	

Commentary 3

Criterion	Marks awarded	Marks available	Comments
A	3	3	One relevant, accurate and correctly labelled diagram is included. The diagram is explained fully, and no other diagram is necessary for this article.
B	2	2	Relevant economic terminology for the article is used appropriately throughout the commentary. The terminology is thoroughly explained. Full marks are awarded.
C	2	3	Relevant economic theory is applied to the article throughout the commentary. The analysis is appropriate. However, some of it lacks support and is rather theoretical, such as the effects on the cost of living from whiskey and the possible growth of infant industries. Thus, the effectiveness of the analysis for the article is lacking, and two marks are awarded.
D	3	3	The key concept of "interdependence" is identified. The explanation of the link between this concept and the chosen article is fair (better than a partial attempt). Full marks are awarded.
E	3	3	Judgements are made throughout the commentary and, despite the analysis being rather theoretical, the reasoning and evaluation are effective and well balanced. Three marks are awarded.
Total	13	14	

Criterion F (when all three commentaries are marked)

Marks awarded	Marks available	Comments
3	3	All of the three rubric requirements are met.

Marks awarded from three commentaries (out of 42)	40
Total marks awarded—including criterion F (out of 45)	43