

ECONOMICS TZ2

(IB Africa, Europe & Middle East & IB Asia-Pacific)

Overall grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 11	12 - 25	26 - 38	39 - 49	50 - 61	62 - 73	74 - 100

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 11	12 - 25	26 - 39	40 - 51	52 - 63	64 - 75	76 - 100

Higher and standard level internal assessment

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 2	3 - 5	6 - 9	10 - 11	12 - 14	15 - 16	17 - 20

The range and suitability of the work submitted

The internal assessment component reflects continued progress as centres become more familiar with the criteria. Many centres are preparing their candidates very well for this component and have refined the process over the course of the last few years. The quality of the assessment is also improving. There are still some centres where very serious differences exist between teacher and moderator, but this is becoming less and less common.

The basic requirements on sources and word count were met by the vast majority of candidates. The centres followed the guidelines set by the IB and the rubric requirements were attained; if not, then most teachers marked the portfolios accordingly.

Centres showed clear evidence of preparing their candidates well. Articles chosen were usually suitable. Candidates should be advised against using articles which have already done the analysis.

There was a heavy reliance on internet sources reflecting the international nature of the course. Nevertheless there were too many portfolios which focused solely on American or British issues.

It is suggested that teachers encourage candidates to write commentaries on articles from different regions. It is important to do some basic research to put the articles in context, for example to know that Greece uses the euro, or that Japan has had interest rates close to zero for some years.

Teachers are encouraged to include comments on their candidates work when they send it for moderation. Comments should only be used to explain decisions on the awarding of marks and should be done on a separate sheet.

When comments are made on the candidates' work, it is important that they are not written in red, as this is the colour used by moderators.

Candidate performance against each criterion

Criterion A

Most candidates achieved the maximum two marks for Criterion A and when this was not the case, the teachers had deducted a mark accordingly. As is often the case, some candidates provided a word count of below 750 words when in reality the commentary was longer than this. At least one centre had almost all candidates exceeding the word counts: this might imply that the candidates were not aware that all words are included, including footnotes and diagram labels. It is important to note that moderators do count words. Far too many candidates lost marks for exceeding the word count. Centres are also reminded that the portfolio should be written throughout the duration of the two year course.

Criterion B

There are still too many examples of candidates losing marks because their diagrams are poorly explained. However, the quality of diagrams continues to improve. The maxim that diagrams require full, relevant explanations still holds true. The diagrams should be adapted to the articles, giving, for example, "price per barrel of oil".

Most candidates continue to draw their own diagrams using various methods. There are a number of candidates who choose to cut and paste their diagrams from websites. This should be discouraged, but is allowed assuming the diagrams are sourced fully. Candidates should be encouraged to draw the diagram themselves to illustrate that they fully understand them and can use them in their final examinations.

Some centres do not seem to be aware of the change in this criterion description that now states the use of diagrams be "highly effective" to achieve maximum marks.

Criterion C

This criterion was not a problem for most candidates. Terms need to be defined, either as footnotes or in the text. Most understood which terms to define. More able candidates used the language of economics appropriately and were also able to define terms well. It is not necessary, or desirable, to define all economic terms.

Criterion D

As usual, this criterion was a good discriminator, allowing more able candidates to illustrate their economic knowledge and analysis. There were some very good examples, which gained full marks in this area. Those portfolios which were superficial either described instead of analyzed or included economic theory that was not related to the article.

Paraphrasing the article was common by the weakest candidates. A useful technique to try and help weaker candidates with analysis can be to ask for a statement of what is the main point they are discussing early in the commentary.

Criterion E

The quality of work produced by candidates in terms of evaluation was at approximately the same standard as previous years. Evaluation still remains the most difficult area to get full marks. However, as this is a higher order thinking skill, this is to be expected. Candidates need to evaluate the economic theory in the context of real world examples, within their commentaries. This continues to be the least natural skill for candidates and it was a pleasure to see some not just evaluating at the end of each commentary, but throughout. Evaluation should look at the impact on different groups in society, the “stakeholders”, but also look at the degree to which economic theory is useful in understanding the issues and developing policies.

Recommendations for the teaching of future candidates

These remain the same as for previous years. The choice of article continues to be very significant. Better articles allowed candidates to explain the events within them using economic theory. While candidates should not avoid local issues, they should also be encouraged to explore issues from an international perspective.

It is important that teachers continue to include a front cover summary document (an example can be seen in the teacher support material) and a front cover for each commentary. For long articles, relevant sections should be highlighted. If the article is not in English, a translation should be provided. This need not be of the whole article, but simply the relevant sections. Centres should be vigilant to make sure that there are not two commentaries in a portfolio on a very similar topic. It is the candidate’s responsibility to find the articles; teachers should not allow candidates to submit work that was done jointly with others in the class.

As always, the use of diagrams often lets candidates down. Although not always the case, the more diagrams a candidate used, the better they performed in both Criterion B and Criterion D, as diagrams helped them to analyse and apply their knowledge well. Diagrams should be explained in detail and referred to directly.

Teachers are encouraged to introduce the internal assessment within the second half of the first term of the course. By this time, candidates will have a basic grasp of economic principles and should be able to find a suitable article to comment on. The first one can be used as a “practice” if necessary.

If possible, produce a small booklet/handout about the coursework, containing the official IB guidelines, the marking criteria, sample articles (good and bad), and perhaps exemplar portfolios. Include “deadline” dates for submission of extracts and commentaries to teachers for advice/comment. Remember that candidates are allowed to submit a first draft then the final draft of each commentary.

Encourage candidates to read from a variety of different sources from the start of the economics course, and perhaps to “adopt” a few countries that they can study in more depth and use in their commentaries.

Higher level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 2	3 - 5	6 - 9	10 - 12	13 - 15	16 - 18	19 - 25

General comments

The majority of centres that provided feedback felt that the paper was of a similar standard as compared to last year's paper. A vast majority of centres viewed the level of difficulty of the paper as being of an appropriate level. Similarly, a majority of centres believed the paper to offer good syllabus coverage, a high degree of clarity in the wording of questions and a well presented paper.

The areas of the programme and examination that appeared difficult for the candidates

Candidates found the application of appropriate theory to question 4 difficult and were almost universally unable to explain what a heavily indebted poor country was. In part a) of the same question candidates were often confused as to what the composition of the human development index is. Some candidates continue to provide diagrams which are poorly drawn and which are not explained, others provide a diagram rather as a backdrop with nothing happening in it to assist the development of the response being offered.

The areas of the programme and examination in which candidates appeared well prepared

Candidates usually evidenced a high degree of understanding of price elasticity of demand and cross-elasticity of demand with many examples of responses where these concepts were well related to business decision-making. For question 2, demand side policies were widely understood by candidates. In question 3 most attempts at the question were able to clearly explain the different types of trading bloc that may be formed.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

- a) This was a very popular question and there were many good responses. Many candidates could define and explain price elasticity of demand and cross-elasticity of demand. Most could identify how price elasticity of demand could predict changes in total revenue as price changes. Some candidates had a tendency to explain relevant theory using diagrams, often very effectively, however they did not all then go further to link such theory to business decision making as required by the question.

- b) This tended to be well done with many candidates having obviously covered this particular topic in the classroom. Theory was generally applied with confidence, and candidates could usually apply appropriate diagrams with explanations to answer the question. Evaluation was generally attempted though not many could provide a fully reasoned analysis of appropriate alternate policy responses.

Question 2

- a) This also proved to be an extremely popular question. Part a) tended to be fairly straight forward with most candidates able to identify reasons why a country might want to reduce its rate of unemployment. There were many very detailed and comprehensive responses to this part of the question.
- b) This part of the question tended to be less effectively undertaken, although there were, again, many good answers. Where candidates focused on the question asked they were able to score well, candidates were usually able to outline what demand side policies were. They then went on to examine the impact that the introduction of such policies might have on the economy. Less successful responses usually proceeded to evaluate demand side policies as a means to reduce unemployment, which was not quite what was asked. There were what seemed to be, a large number of learned answers designed to address a question asking for demand side and supply side policies to be evaluated. The best responses focused on what was asked and provided clearly analysed theory which sought to indicate what the possible impacts on an economy, of the introduction of demand side policies, might be.

Question 3

- a) Very few candidates attempted this question. Although those that did tended to do so quite effectively. Almost all responses observed seemed able to identify the different types of trading bloc that might be formed. The main weakness was that few candidates could produce accurate and detailed examples to support the theoretical trade bloc structures they described.
- b) Less well attempted than part a), although there were many good scripts. Essentially the question is more straight-forward than candidates appeared to think. Many candidates were able to outline reasons why a country should or should not join a free trade area; some candidates developed their answers with appropriate theory, whilst others used real examples. Relatively few candidates attempted to combine theory with real world examples, which given the contemporariness of the relevant subject matter, seemed to be a weakness.

Question 4

- a) Part a) examined subject matter that has been tested many times before. It was surprising to see that there are still many candidates who cannot, with confidence, explain what the differences between economic growth and economic development are. Good candidates were able, in a relatively simple and straightforward manner, to describe what these were and to precisely describe how each might be measured. A surprisingly large number identified the components of HDI wrongly. This seems to be an area of confusion.

- b) There were many disappointing responses to this part of the question. Few candidates attempted to explain what a very poor, highly indebted country was. A consequence of this was that candidates then had difficulty maintaining suitable focus. A lot of simplistic statements were written containing unsubstantiated opinion, with little attempt to provide appropriate reasoning. Few candidates could provide suitable examples for their responses. The question did produce a small number of very good responses, candidates who had obviously studied the topic in some depth and, who had acquired good background knowledge of the relevant issues, presumably through reading appropriate news media on a regular basis.

Recommendations and guidance for the teaching of future candidates

- Candidates should carefully read what questions are asking before they embark on their response. Many candidates write the answer they have prepared on the subject they want to answer, with limited reference to what is actually asked. Questions are carefully phrased to ask the candidate to shed a particular light on a topic. If this means taking time and writing a little less, the benefit in higher achievement levels will more than compensate.
- Diagrams are important but they are more than ornamental, they are useful only if meaningfully utilized in the context of a clear answer to the set question. Diagrams should show something, so ideally they need to illustrate some process of economic change, which can be subsequently described as an integral part of the answer to the question.
- All responses should begin with definitions of key terms in the question. This allows the candidate to set the agenda for the response and to have stable foundations for subsequent reasoning. A surprising number of candidates fail to define the pertinent key economic terms in their answers.
- Candidates should be encouraged to read widely using suitable news media in order to attain improved background knowledge of the subject. This will enable them to more effectively address questions which are linked to current issues. Many candidates continue to evidence a very poor knowledge of the world around them.

Further Comments

Centres should be encouraged to offer feedback via the G2 forms following the examinations because it is considered at grade award and provides information which helps in the writing of the subject report. It also helps influence how exam papers evolve in the future.

Higher level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 3	4 - 7	8 - 9	10 - 13	14 - 16	17 - 20	21 - 30

General comments

As written in previous reports, learning to answer the question asked is an important aspect to effectively writing an examination response. While many candidates have this skill, equally many candidate responses reflect the need to prepare for examinations with this in mind. Part of examination preparation requires knowledge of economic definitions, with a well defined concept or idea giving the basis for a response that will more closely reflect what the question requires.

The areas of the programme and examination that appeared difficult for the candidates

The paper gave opportunity to candidates to demonstrate their knowledge with questions that were clear and understandable. However there were areas of the programme that appeared difficult for candidates. In broad terms it is suggested that candidates need to be taught to understand the focus of the question and craft a response around the question. This response needs to have integrated into it:

- Definitions
- Explanations
- Examples
- Diagrams (where possible)

Candidates are expected to show an understanding of the theories and concepts being addressed in each question. A number of issues arose in this paper. Many candidates were clearly not taught the nature of a subsidy and the impact of this on consumers and producers. While candidates understood the nature of inflation, how it was measured was not well understood. There was a lack of understanding of exchange rates, in particular defining fixed exchange rates, what a fixed exchange rate was fixed to and illustrating this in a diagram (if a candidate wished to). Lastly, the point of “outward-orientated” and “inward-orientated” was often missed. These issues tended to result in candidate responses that lacked depth.

The use of diagrams was generally good, with a wide range of relevant diagrams used representing the theory learnt. However, the drawing of fully labelled accurate diagrams sometimes proved difficult for candidates. It is worth remembering this important aspect to teaching economics.

The areas of the programme and examination in which candidates appeared well prepared

This will be covered in the analysis of individual questions, and suggestions for improvement summarised at the end.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

This was the most popular question. Most candidates displayed some understanding of how a subsidy affected supply and price. However this question was poorly done with few candidates being able to clearly illustrate and explain the impact of a subsidy on producers and consumers. Too many candidates had prepared answers for tax incidence and attempted to apply this knowledge to subsidies, without understanding the differences. For example, candidates, with few exceptions, could not use the diagram accurately to show the subsidy impact (incidence) on the consumers and producers.

Many candidates answered this question from the perspective of subsidies as a protectionist tool in world trade. Candidates who could answer the question from this perspective were rewarded.

Question 2

This was also a popular question, being straightforward in nature. There was a good understanding of the idea of monopoly and how it operated, although definitions were often weak and superficial. Diagrams were generally accurate although a number were incomplete, and often not referred to in the text. It is worth noting that when diagrams are used they need to be explained in the text, a skill many candidates seem to be lacking.

Many candidates could correctly define allocative and productive inefficiencies but few could explain why such inefficiencies represent a cost to the consumer. Some candidates were also confused with the question which required an explanation of the gains and losses to the consumer, not the gains and losses to the producer. A few candidates confused the monopolist with monopolistic competition market structure.

Question 3

There was generally a good understanding of what inflation is although many candidates were unable to precisely define the concept. While most could identify the consumer or retail price index, a price index or the deflator as ways of measuring inflation the issues surrounding the measurement of inflation such as the basket of goods, base year and weighting were less well understood. Many candidates did not understand how the different items in the basket of goods were weighted, the weighting being proportional to total spending. Many candidates used bread as an example of a good receiving a higher weight because it was essential/has inelastic demand but not realizing that it represented a small proportion of total income.

Most candidates were able to explain three problems associated with the measurement of inflation although these explanations were in many cases superficial. Some candidates were sidetracked into discussing the Phillips curve and the unemployment/inflation relationship. Others discussed the disadvantages of high inflation while some candidates were tempted into discussing the causes of inflation.

Question 4

This also was a popular question and those attempting it showed good knowledge of the topic. Candidates could see how transfer payments reduced inequalities and shift the curve towards the line of absolute equality. Diagrams were usually well drawn and most could show the Gini coefficient got smaller. Answers were often concise, but the better candidates included examples from the real world that were used to develop their answer.

Some candidates could not correctly label the axes and some candidates would assert that the Lorenz curve measured the level of income inequality without any explanation and in some cases confusing income with wealth. The notion of transfer payments was poorly defined with some candidates confusing transfer payments with unilateral transfers on the BOP current account.

Question 5

This question was reasonably popular. Candidates were able to explain the difference between the exchange rates from the point of view of how they function while a number chose to explain the difference from the point of view of the associated advantages and disadvantages. Better answers used real life examples, although some candidates constructed examples that did not reflect reality, such as the GBP being fixed to the US dollar.

The weakness with this question was in defining fixed and floating exchange rates and particularly with fixed exchange rates and how they operated. This part of the answer suffered from generalisations that were inaccurate and superficial.

Question 6

This question also suffered from lack of clarity of the meaning of “outward-orientated” and “inward-orientated” growth strategies. Those candidates who had a clear understanding of these concepts produced well crafted answers, often being quite creative. The issue for many candidates was that not having a clear understanding of these two strategies, led to answers that were superficial or the focus of their explanation was incorrect.

Recommendations and guidance for the teaching of future candidates

The recommendations and guidance remains largely as in previous reports.

Candidates must be able to apply their knowledge of economics to the examination and the questions being asked. It is important the candidates:

- know what they want to say
- know how to show what they know
- know the types of questions they will be asked
- plan on how to structure their ideas, and
- practice answering the examination questions.

In preparing candidates for examinations the following are key points:

- Defining key terms or concepts. Far too often examiners were left guessing as to what a candidate may mean by a particular term. An implicit understanding of a concept is not enough – an explicit definition or explanation is required to effectively answer a question. This session the concepts of price discrimination, the Lorenz curve and the Gini coefficient proved very difficult for a number of candidates
- Cover the whole syllabus: candidates often use past papers as a guide to what will appear on current papers; when something appears that has not been questioned for a long time they are at a loss. Having said that, a question on the Lorenz curve had not been asked for a long time and yet it proved to be one of the most popular questions.
- Emphasis must be placed on the effective use of diagrams and examples. Diagrams are used to illustrate and explain the economic issue or concept being discussed. There must be in the response a discussion concerning the point of what the diagram is indicating, how it is helping to explain the issue as presented in the question.
- Practice is required to effectively answer these short answer questions. This will entail the development of candidate ability to read the question carefully, analyse what it requires and then to respond to this question in the given time. Candidates need to be taught to answer the questions – not just discuss monopolies/inflation *etc* because the concept is in the question. Also, candidates should remain focused on the question and not go off on tangents simply to fill space. The effective use of time is crucial for this. Most candidates answered all 3 questions, indicating good timing skills.

Further Comments

Teachers should be encouraged to offer feedback via the G2 forms following the examinations because it is considered at grade award and provides information which helps in the writing of the subject report. It also helps influence how exam papers evolve in the future.

Higher level paper three

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 8	9 - 17	18 - 23	24 - 30	31 - 37	38 - 44	45 - 60

General Comments

This report, used in conjunction with the markscheme, is designed to help teachers prepare their candidates for future exams by clarifying the expectations of the IB examining team. Since the markscheme outlines the best responses, this report focuses more on more common errors made by candidates. General comments about exam-writing techniques are similar, if not exactly the same as in previous reports.

This examination seems to have been well-received by those centres that completed and submitted the G2 feedback forms. It was a well-balanced paper, with appropriate syllabus coverage. The texts were felt to be very accessible to the majority.

Evaluation in the final part d) questions was often lacking; there is a tendency to provide lists of advantages and disadvantages without coming to reasoned conclusions or making a judgment. Examiners do not expect a particular number of specified points to be made in these sub-questions and are instructed to reward all plausible points, but to reach the top band, *effective* evaluation must be carried out.

The areas of the programme and examination that appeared difficult for the candidates

This will be treated in the context of the individual questions

The areas of the programme and examination in which candidates appeared well prepared

This will be treated in the context of the individual questions

The strengths and weaknesses of the candidature in the treatment of individual questions

Question 1

This is a fairly straight-forward theory of the firm question. There were many centres where not one candidate attempted this question, suggesting that this theory may be being neglected.

- a) (i) This is a double-barrelled term that required understanding of the terms “oligopoly” and “collusive”. Weaker answers neglected to explain what collusion means.
(ii) A large number of candidates made no reference to the implicit costs of production. A correct definition of abnormal profit must refer to opportunity costs.
- b) One common mistake was to use a kinked demand curve model, which is appropriate to a non-collusive, rather than collusive, oligopoly. Problems in the diagrams included: MC not intersecting AC at the minimum of AC; incorrectly identifying the profit-maximising level of output; not including an MR curve; inaccurately drawing the relationship between AR (D) and MR. Weaker candidates would state ‘abnormal profits’ as shown on diagram, without explaining how the shaded area was derived – *i.e.* not stating that average revenue is higher than average costs.
- c) Most candidates identified the model correctly by drawing a long run average cost curve, but many failed to use the diagram to show and explain that there could be lower average costs at higher levels of output. Many failed to observe that economies of scale are a long-run phenomenon, and confused economies of scale with diminishing marginal returns. Many were unable to earn full marks as they did not clearly state costs as “average” or “per unit”. In cases where candidates did include the short run average cost curves, which added to the quality of the written response, there were some carelessly drawn diagrams, where the LRAC curve was not tangential to the SRAC curves. For full marks, candidates needed to refer to one source of economies of scale, *e.g.* bulk-buying.

- d) Some responses were good in referring to relevant quotes from the text, but did not provide sufficient independent analysis/interpretation of the points from the text. There was evidence of candidates delivering pre-learned essays on the disadvantages or advantages of monopolies, without addressing these to the case study. For example, many observed that monopolies may benefit consumers by using their abnormal profits to engage in research and development, but this is not a likely scenario in the context of supermarkets. Many candidates did not observe that a reduction in market share to 75% might make little difference to the market, but made a huge leap to assume that this would result in monopolistic (or even perfect) competition with large efficiency gains.

Question 2

This was by far the most popular question, with the vast majority of candidates answering it.

- a) (i) Usually well-defined, and supported by an example.
- (ii) The vast majority of candidates listed the four factors of production. Candidates did not earn full marks unless they made some reference to their use in producing (goods and services)
- b) Generally very well done, but there were a large number of candidates who provided microeconomic labels. It was important to note that consumer spending is a component of aggregate demand,
- c) A very straightforward question that was done satisfactorily by the majority.
- d) There was a significant tendency to spend too much time describing expansionary policy by simply paraphrasing the text rather than evaluating it. A disappointing number of candidates considered changes in interest rates as a tool of fiscal policy. Many candidates seem to confuse the terms “disposable income” with “purchasing power”, erroneously stating that a reduction in direct taxes would give consumers greater purchasing power. It was a shame that more candidates did not move beyond the text by referring, for example, to the positive supply side effects of increased government spending.

Question 3

- a) (i) This was generally well-answered.
- (ii) Incorrect responses confused FDI with *financial* investment such as the buying of shares. Weak responses said that FDI was done by “countries”, rather than multinational companies, investing in other countries.
- b) There was a marked improvement over past years in the labelling of the y-axis in the exchange rate model and most candidates accurately drew an increase in the supply of the Pakistani currency. However, many candidates neglected to provide a full explanation of the reason for the depreciation and did not include the point that the reason for the increase in supply is the Pakistani currency is supplied in order to buy foreign currencies in order to buy the increased imports. Candidates who showed a fall in the demand for the currency may have achieved some partial marks, depending on the written explanation.

- c) Again, some candidates used microeconomic, rather than macroeconomic labelling, and as a result, could not be awarded full marks. Some candidates drew a LRAS curve, rather than a SRAS curve. Some candidates did not read the question carefully, and referred only to a change in the price level, without addressing the level of output.
- d) Too many candidates delivered a clearly pre-learned essay on the advantages and disadvantages of tariffs, without directing the response to the case study or carrying out effective evaluation. The tariff diagram is a popular and useful model in IB Economics, but many candidates draw the model without really understanding it.

Question 4

This was the least popular question, and not terribly well-done by those that did answer it.

- a) (i) Most candidates were able to provide an explanation of this concept.
(ii) Most candidates were able to provide an explanation of this concept.
- b) This was not well answered at all. Many candidates framed their answer in terms of price elasticity of demand. Candidates were able to access partial marks for an explanation of YED, but very few were able to apply the concept to the theory of sectoral change, even though this link is explicitly stated in the syllabus.
- c) Most candidates were able to draw either a shift in a PPC curve, or a shift in the LRAS curve, but many were not able to obtain full marks in the explanation as they did not refer to “productive capacity”.
- d) This was poorly done, on the whole. Many candidates simply stated the advantages and disadvantages as stated in the text, without applying appropriate theory. Good answers recognised that since rice is a primary commodity, it carries all the problems associated with over-dependence on primary commodities. There should have been references to fluctuating/volatile commodity prices and low income elasticity of demand. This is an important section of the syllabus, and a topic that deserves much attention.

Question 5

This was the second least popular question after Question 4. Since both of these questions focus on development economics, this is slightly concerning. Alternatively, the first three questions may simply have been seen to be more accessible.

- a) (i) Most candidates were able to earn at least one mark, if not full marks, by explaining at least one of the functions of the World Bank. However, a number of candidates seemed to consider it to be an international central bank.
(ii) Many candidates confused “free market” with “free trade” and did not earn marks. However, given the openness of this concept, a wide range of explanations was acceptable.
- b) Given the phrasing of the question, most candidates scored fairly well by drawing a minimum price diagram, despite the misleading link between fair trade and guaranteed minimum prices. One limitation of many answers was the result of simply delivering an explanation of minimum prices without explaining specifically how it would “benefit groundnut farmers”.

- c) A vast number of candidates incorrectly shaded a welfare loss diagram. As long as this was not part of the answer, candidates were not penalised for it, since it is not specifically requested in the question. It was acceptable to use either a production externality or a consumption externality diagram. It was necessary to show understanding of external, rather than private benefits by referring to at least one positive external benefit.
- d) There was a great deal of information in the text and so even weaker candidates were able to write a fair amount. However, in many cases, candidates simply paraphrased sections of the text without managing to show evidence that they had studied an economics course. Good responses referred to and developed concepts such as the poverty cycle. Top responses also showed appreciation of the point that fair trade needs to form part of a larger approach to economic development with some reference to complementary strategies.

Recommendations and guidance for the teaching of future candidates

The recommendations and guidance remains largely as in previous reports.

- The full syllabus needs to be taught. Incomplete teaching of some sections of the syllabus will disadvantage candidates when they come to choosing their data response questions.
- Teachers should encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates could be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from those who have simply picked up some information without having taken an economics course.
- In part a) questions, candidates should be encouraged to write *no more than* two sentences.
- Candidates will also benefit if they compile a glossary of all the diagrams. Most questions b) and c) require the use of a diagram, and these are generally all standard diagrams from the syllabus. Where diagrams are used in parts b) and c), candidates should be sure to use/explain the diagram by making references to the diagram in the response.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Too often, candidates will use a correct diagram, but then fail to make use of the diagram in their explanation. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.

- It is now the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should no longer be encouraged. However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question. For example, a question about the market for the Pakistani rupee should have as its y-axis label, *price of the rupee in another currency*.
- Candidates must be very careful to be accurate in their labelling. There was a tendency to provide a generic label of “price” on all microeconomic diagrams, whereas in using theory of the firm analysis, it is necessary to distinguish between “price” and “cost”.
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in parts b) and c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.
- While examiners are observing much improvement, candidates must be reminded that to achieve top marks in questions d), they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts.
- Part d) answers also require candidates to apply and develop the economic theory that is relevant to the case study. It is not enough to simply mention the relevant theory; answers which reach the top band must illustrate that the candidate can clearly use/apply that theory. Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text. Teachers should instruct their candidates to take a few sentences to explain concepts that they bring up in their analysis for question d). In question 2 for example, candidates would often bring up a problem, such as an increased budget deficit due to expansionary fiscal policy, but would not give any explanation as to why an increased budget deficit is a problem.

When this happens, candidates look as though they have simply memorized a set list of issues, but do not demonstrate any depth of understanding of the topic. Another problem occurs if candidates use terms, but don't really understand them. For example, in question 3d) where candidates were asked to evaluate a tariff, many candidates brought up concepts like deadweight loss, consumer and producer surplus, consumer welfare, *etc.* but had clearly just memorized this terminology with little understanding as to how to apply or explain it.

- Candidates must be aware of the different ways that they can carry out the skill of evaluation. To start, candidates can be encouraged to discuss advantages and disadvantages of a particular economic “event” or policy; they can look at an issue from the perspective of different stakeholders or they can consider the differences between short run and long run consequences. But it is *not* sufficient to just list advantages or disadvantages or to distinguish between the short-run or the long-run. *For evaluation to be effective, it is necessary to make a reasoned and justified judgment regarding the information.*

- Theory provided in part d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to "engage" with the case study, in order to be able to *apply* the theory.

Further Comments

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Standard level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 3	4 - 6	7 - 9	10 - 12	13 - 15	16 - 18	19 - 25

General comments

The overall reaction to Economics SL paper 1 was positive. The G2 feedback forms from centres, the response of assistant examiners and discussion of the paper at the standardization and grade award meetings were generally favourable towards the paper and it was seen as an examination that was about average in terms of difficulty. There was some concern, however, about wording of questions 1 and 2 where candidates were given information in the form of a prompt. Candidates with English as a second language may have struggled with this and the change in approach may have unnerved some candidates. Some examiners also felt by, for example, telling candidates the components of aggregate demand you were actually taking away the opportunity for candidates to score marks.

The balance of responses between different questions was quite favourable with quite good numbers attempting questions 1, 2 and 4, although question 3 was not as popular with candidates.

The areas of the programme and examination that appeared difficult for the candidates

Question 3 on trade was, as usual, the area candidates found most difficult. However, many of the candidates who attempted it scored well. Economic development challenges candidates in a different way to trade. Many candidates chose question 4 and answered part a) well but struggled to apply theory effectively in part b).

A general weakness of many candidates is the lack of real world examples used to support the points they make when answering the question. To achieve Level 4, candidates must use appropriate examples.

The areas of the programme and examination in which candidates appeared well prepared

Many candidates answered the questions well using clear definitions, diagrams and appropriate theory. It was also good to see candidates striving to make evaluative points in answers to part b) questions. Plenty of candidates showed particularly good knowledge levels on question 1 on price theory and question 2 on aggregate demand and investment. There were also some very good answers to question 3 on trade theory, although this was not a particularly popular question.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

- a) The best answers here saw candidates defining demand and supply accurately and then going on to consider how changes in demand and supply factors have sharply increased the price of food. Many candidates considered population increase in developing countries as a demand side factor and climate change as their supply side factor. This was a reasonable approach although rising incomes in LDCs and the switch to bio-fuels on the supply side allowed for more sophisticated analysis. Generally diagrams were used appropriately, but the presentation and labelling of diagrams could still be improved. This answer also required examples like the rise in the price commodities such as wheat and rice.
- b) The approach to this question involved candidates considering the term “best” in terms of the efficiency of resource allocation and then considering whether the free market or an intervening government is best placed to achieve this. The arguments on the market side involved looking at how market clearing prices guide resources efficiently between different agricultural markets. This can be evaluated by looking at how market prices might exclude those on low incomes from food as a necessity product and how falling prices can have a detrimental impact on farming incomes particularly in developing countries. Many candidates considered the nature of intervention in agriculture by exploring the use of maximum and minimum prices and the application of buffer stocks as ways of dealing with the problems caused by the market. They then evaluated this by considering the problems of, for example, putting a buffer stock scheme into practice. A weakness in many answers was the lack of attention candidates paid to use of the term “best” and how free markets have a role in achieving this. It would also have been good to see candidates looking at agricultural examples like wheat, rice and sugar.

Questions 2

- a) This question was looking for candidates to define investment (the purchase of plant and equipment by businesses) and net exports and consider two factors that influence them but many struggled with this. Good answers examined how interest rates and business confidence affect investment. Large numbers of candidates struggled with a precise understanding of what investment is with confusion between investment and saving. Candidates used exchange rates and changes in domestic or foreign income for net exports. Once again, examples would have helped here.

It would have been good for candidates to consider how investment by car manufacturers has plummeted since the recession started in 2008 or how the relatively low value of the Chinese Yuan has boosted Chinese net exports.

- b) It was important for candidates to start this answer by explaining “performance of an economy” in terms of growth, price stability, full employment and current account equilibrium. Good answers saw candidates explain how rising investment increases AD and leads to growth and rising employment and many evaluated this by considering how rising AD might lead to inflation. The best answers, however, went on to look at how investment impacts on the supply side which delivers growth, employment, falling prices and improved international competitiveness.

This could be evaluated by considering the trade-off between current consumption and possible employment implication of capital displacing labour. Effective graphical support for this answer using AD and AS was very useful here.

Question 3

- a) Questions on the terms of trade are always challenging for candidates and this one was no different judging by the relatively small number who chose to answer the question. The candidates who did the question however produced some very good answers. The questions looked for accurate definitions of terms of trade and current account deficit. Good answers would normally involve candidates analysing how rising export prices (assuming constant import prices) would lead to a fall in a country's current account deficit if it was based on a rise in demand for the country's exports. Alternatively, if the improvement was caused by supply side changes the price elasticity of demand for exports would need to be inelastic for an improvement in a current account deficit. This question needed good graphical analysis to support the answer. As often happens with questions on the terms of trade, some candidates do not know what the terms of trade is and scored very low marks on the question.
- b) Candidates often found this part of the question easier than part a) and a number of candidates scored poorly on part a) and well on part b). Good answers involved candidates defining and explaining expenditure switching policies like protectionism and currency devaluation. They would then evaluate this approach by considering the issues like retaliation from other countries if a country used protectionism and rising inflation caused by devaluation. The strongest candidates would go on to discuss alternative approaches to dealing with current account deficits in the form of expenditure reducing and supply side policies. There was a tendency for candidates to spend too much time on long explanations of the different methods of protectionism, which did not really add to the quality of their answers.

Question 4

- a) Part a) of this question was generally done well by candidates. Good answers involved accurate definitions of economic growth and economic development and how they are measured. The best answers had good explanations of how real GDP is used to measure growth and how development is measured through the HDI. Weaker answers were overly descriptive and lacked precision. Again this question was really helped by the use of examples to support the answer.

- b) This question proved challenging for candidates and many candidates struggled with it. The problem most candidates had was actually focusing on the consequences of debt cancellation and many answers drifted onto general policies to enhance growth and development. The best responses considered how debt cancellation would mean LDCs being able to appropriate funds towards growth and development projects rather than spending money on repaying and servicing debt. Debt cancellation would also mean funds remaining in the domestic economy which would have benefits for AD. This could be evaluated in terms of the problems LDCs might have in raising funds in the future from lenders nervous about being repaid and how countries might waste the funds freed by debt cancellation. This answer really benefited from examples of where debts have been cancelled such as Mexico and Haiti.

Recommendations and guidance for the teaching of future candidates

There are some key things for teachers to work on to improve candidate performance. Candidates should:

- define terms in essay titles accurately
- focus on the question being asked and not opt for pre-prepared responses
- use relevant theory effectively to support answers
- draw clear, well labelled diagrams
- support answers with examples
- evaluate their arguments effectively in part b) answers.

Candidates should be extremely familiar with the demands of the rubric before going into the exam.

Candidates should be taught the difference between mentioning or describing a relevant point and explaining or analyzing it. It is not enough to just make a statement, such as "cancelling debt would allow LDCs to focus on development..."; they need to explain why. In addition, evaluation is more than just an analysis of advantages and disadvantages. Amongst other things, it is an assessment of the likelihood of a particular scenario taking place and the factors that determine whether or not it will take place.

Teachers should also prepare candidates in time management so that they don't spend so much time on part a) and consequently have less time to effectively tackle part b).

Further Comments

Teachers should be encouraged to offer feedback via the G2 forms following the examinations because it is considered at grade award and provides information which helps in the writing of the subject report. It also helps influence how exam papers evolve in the future.

Standard level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 7	8 - 15	16 - 23	24 - 30	31 - 37	38 - 44	45 - 60

General comments

This report, used in conjunction with the markscheme, is designed to help teachers prepare their candidates for future exams by clarifying the expectations of the IB examining team. Since the markscheme outlines the best responses, this report focuses more on more common errors made by candidates. General comments about exam-writing techniques are similar, if not exactly the same as in previous reports.

The examination seems to have been well-received by those centres that completed and submitted the G2 feedback forms. It was considered to be a well-balanced paper, with appropriate syllabus coverage. The texts were considered to be accessible to the majority.

Evaluation in the final part d) questions was often lacking; there is a tendency for candidates to provide lists of advantages and disadvantages without coming to reasoned conclusions or making a judgment. Examiners do not expect a particular number of specified points to be made in these sub-questions and are instructed to reward all plausible points, but to reach the top band, **effective** evaluation must be carried out.

The areas of the programme and examination that appeared difficult for the candidates

One common concern raised by examiners was the tendency for many candidates to confuse microeconomic and macroeconomic labels.

Question 5 was the least popular question. This led some examiners to feel that the development economics section of the syllabus is being inadequately treated. On the other hand, this may simply be that the questions on the other sections were more accessible.

The areas of the programme and examination in which candidates appeared well prepared

This will be addressed in the context of individual questions.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

- a) (i) This term was generally well-defined.
- (ii) This term was generally well-defined. A few candidates interpreted investment as financial investment

- b) The majority of candidates were able to present an accurate diagram. Weaker candidates did not fully explain that the increase in supply is caused by a reduction in costs of production.
- c) There were a few different errors among weaker responses: quite a few candidates seemed to think that decreased imports would result in a fall in demand; many candidates considered an increase in investment as a shift in the SRAS curve.
- d) This was a fairly straight-forward part d) question, with a good amount of material from the text to draw from. Therefore, many candidates were able to analyse effectively, using the links to the text. As is always the case, weaker candidates did not manage to move beyond a basic explanation of advantages and disadvantages to illustrate the skill of evaluation. In this case, evaluation could take the form of *weighing up* the short-run versus the long-run implications, or the negative externalities of wind power versus the positive externalities.

Question 2

- a) (i) Incorrect responses confused FDI with *financial* investment such as the buying of shares. Weak responses said that FDI was done by “countries”, rather than multinational companies, investing in other countries. Some even confused FDI with foreign aid.
(ii) This was generally well-defined.
- b) This was reasonably well-handled, although many candidates adopted a microeconomic approach and could therefore not be awarded full marks. Some candidates drew a LRAS curve, rather than a SRAS curve. Some candidates did not read the question carefully, and referred only to a change in the price level, without addressing the level of output.
- c) This was a difficult question, with low marks scored by almost all candidates. Candidates confused the time periods, did not refer to the table and misinterpreted the data. Candidates did not seem able to make a link between the exchange rate and the price level.
- d) A great many candidates delivered a clearly pre-learned essay on the advantages and disadvantages of tariffs, without directing the response to the case study or carrying out effective evaluation. The tariff diagram is a popular and useful model in IB Economics, but many candidates draw the model without really understanding it.

Question 3

- a) (i) This was generally well defined. One weakness was to define unemployment, rather than the unemployment *rate*.
(ii) This was generally well-defined. One weakness was to simply give the equation for aggregate demand
- b) Most candidates were able to link falling domestic demand with a fall in the demand for labour and either used an AD/AS diagram or a labour market diagram to explain that this would result in less employment and/or more unemployment.
- c) This was generally well answered. One problem was that some candidates did not show the increase in the minimum wage, but simply indicated one minimum wage. This may well have been due to careless or superficial reading of the question.

- d) The weakest candidates could not clearly distinguish between demand-side and supply-side policies. Another approach, which did not earn high marks was to go through a rote-learned explanation of both demand-side and supply-side policies without going much beyond re-stating the text, and without providing effective evaluation in the form of a supported judgment.

Question 4

- a) (i) This was generally well-answered, although candidates often neglected to include the adjective “real” before GDP.
(ii) While answers showed understanding of the term, some found it difficult to provide a precise definition.
- b) This was generally well done. Most candidates were able to make the link between increased FDI and increase demand for the rupee. Some candidates provided incomplete labelling on the y-axis, although there has certainly been an improvement on past efforts.
- c) This was generally well done, with most candidates recognising the link between exports and increased AD.
- d) Almost all candidates were able to explain the effect of a rising currency on exports and imports. However, many were unable to go beyond this to assess the effect on the price level or output. Weaker candidates incorrectly thought that a rising currency would cause inflation. It was not enough to simply list the advantages and disadvantages of a rising currency; to reach the top mark band, a reasoned conclusion needed to be made.

Question 5

This was the least popular question chosen.

- a) (i) Most candidates were able to provide a reasonable explanation of this concept.
(ii) This was generally well-explained.
- b) This was not well answered. Candidates were able to access partial marks for an explanation of YED, but very few were able to apply the concept to the theory of sectoral change, even though this link is explicitly stated in the syllabus. Some candidates incorrectly framed their answer in terms of price elasticity of demand.
- c) Most candidates were able to draw either a shift in a PPC curve, or a shift in the LRAS curve, but many were not able to obtain full marks in the explanation as they did not refer to “productive capacity”. Weaker answers used a microeconomic model and/or referred only to the rice market.
- d) This was poorly done, on the whole. Many candidates simply stated the advantages and disadvantages as stated in the text, without applying appropriate theory. A few good answers recognised the problems involved in over-dependence on primary commodities and used this to justify diversification.

Recommendations and guidance for the teaching of future candidates

The recommendations and guidance remains largely as in previous reports.

- The full syllabus needs to be taught. Incomplete teaching of some sections of the syllabus will disadvantage candidates when they come to choosing their data response questions.
- Teachers should encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates could be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from those who have simply picked up some information without having taken an economics course.
- In part a) questions, candidates should be encouraged to write *no more than* two sentences.
- Candidates will also benefit if they compile a glossary of all the diagrams. Most questions b) and c) require the use of a diagram, and these are generally all standard diagrams from the syllabus. Where diagrams are used in parts b) and c), candidates should be sure to use/explain the diagram by making references to the diagram in the response.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Too often, candidates will use a correct diagram, but then fail to make use of the diagram in their explanation. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is now the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should no longer be encouraged. However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question. For example, a question about the market for the Indian rupee should have as its y-axis label, *price of the rupee in another currency*.
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in parts b) and c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.

- While examiners are observing much improvement, candidates must be reminded that to achieve top marks in questions d), they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts.
- Part d) answers also require candidates to apply and develop the economic theory that is relevant to the case study. It is not enough to simply mention the relevant theory; answers which reach the top band must illustrate that the candidate can clearly use/apply that theory. Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text. Teachers should instruct their candidates to take a few sentences to explain concepts that they bring up in their analysis for question d). Another problem occurs if candidates use terms, but don't really understand them.
- Candidates must be aware of the different ways that they can carry out the skill of evaluation. To start, candidates can be encouraged to discuss advantages and disadvantages of a particular economic "event" or policy; they can look at an issue from the perspective of different stakeholders or they can consider the differences between short run and long run consequences. But it is *not* sufficient to just list advantages or disadvantages or to distinguish between the short-run or the long-run. *For evaluation to be effective, it is necessary to make a reasoned and justified judgment regarding the information.*
- Theory provided in part d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really "engage" with the case study, in order to be able to *apply* the theory.

Further Comments

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