ECONOMICS TZ1

(IB Latin America & IB North America)

Overall grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 13	14 - 25	26 - 39	40 - 52	53 - 63	64 - 77	78 - 100

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 10	11 - 21	22 - 35	36 - 48	49 - 61	62 - 73	74 - 100

Time zone variants of examination papers

To protect the integrity of the examinations, increasing use is being made of time zone variants of examination papers. By using variants of the same examination paper candidates in one part of the world will not always be taking the same examination paper as candidates in other parts of the world. A rigorous process is applied to ensure that the papers are comparable in terms of difficulty and syllabus coverage, and measures are taken to guarantee that the same grading standards are applied to candidates' scripts for the different versions of the examination papers. For the May 2012 examination session the IB has produced time zone variants of the Economics papers. Grade boundaries for the different time zoned papers are set separately, and careful judgments are made that are based on criteria for performance level, to account for differences in the papers.

Higher and standard level internal assessment

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 6	7 - 12	13 - 20	21 - 26	27 - 31	32 - 37	38 - 45

Recommendations for IB procedures, instructions and forms

A number of centres did not accurately complete the 3/CS form. Please check the addition on the reverse side of the 3/CS form, and make sure the forms are signed by candidate and teacher.

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The maximum time lapse between the source article and the written commentary is one calendar year. The maximum word count is 750 words but there is no minimum word count. Some centres and candidates have not adjusted to the requirement that footnotes are only used to provide references, but not definitions.

It is important to carefully follow the rubric requirements. Many candidates lost a mark under criterion F because they did not provide a summary portfolio sheet with details of the sources, syllabus sections, the date commentaries were written and word counts.

It is recommended that teachers include a comment on the portfolio, explaining the marks they have given. These comments should be on a separate sheet; the portfolios should not be annotated by the teacher.

The range and suitability of the work submitted

Most candidates followed the rubric requirements and submitted three commentaries from different sources and covering three syllabus sections, within the word count. When this does not happen it is important that the teacher takes this into account when assessing the portfolio as it will affect the moderation factor for the centre.

Candidate performance against each criterion

Criterion A

Most candidates included relevant diagrams but these were not always explained well. Too many simply copied generic graphs from textbooks or internet sources without making them specific to the commentary. It is preferable that candidates create their own graphs, either by hand or using computer skills. If candidates have copied graphs they must give the source. Please note that the criterion descriptor assesses whether the candidate "is able to construct and use diagrams" so copy/paste diagrams will not achieve maximum marks. Candidates should avoid very lengthy descriptions of graphs, especially where these are generic graphs which have been copied. Many candidates made reference to colours on their graphs but then sent portfolios printed in black and white.

Criterion B

Terminology needs to be used appropriately, but this does not mean every term must be defined. Terms like "price elasticity of demand" could be briefly explained with a comment such as "which measures how responsive the quantity demand is to a change in price." If precise definitions are copied they must be in quotation marks and a source given. They must not be in footnotes or they will be ignored. This criterion implies that the candidate displays understanding of the terms used. Most candidates scored well here.

Criterion C

This criterion tests whether the candidate has recognized the appropriate economic issues from the chosen article. It is important to make links to the article, and not simply present some economic theory that is faintly relevant. Some candidates made very little reference to

the articles, and a few did not understand the articles. A common fault was to choose articles that were far too complex or dealt with issues not in the IB syllabus. Most candidates recognized the appropriate economic issues and scored well.

Criterion D

This criterion deals with explaining and developing economic theories linked to the article. It is important that the commentary makes repeated references to the article and integrates the theory and practice. An example might be discussing whether unemployment in Spain is cyclical or structural and then using that to propose suitable policies. A common fault was to simply summarize some economic theory without clearly linking to the article. The descriptors for levels 2 and 3 distinguish between "appropriate" and "effective" analysis; many commentaries were considered "appropriate" as the analysis was not developed enough.
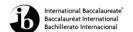
Criterion E

A key issue here was whether the candidate "synthesizes his or her analysis." If candidates have simply paraphrased an article that has already done the analysis and evaluation of an issue it is not possible to get the top levels on this criterion as the evaluation is not of the candidate's own analysis. Many simply explained an article, generally agreeing with the author. Too many candidates gave opinions that were not backed up by appropriate economic reasoning. It is not possible to reach the top level unless the candidate considers counter-arguments, and discusses advantages and disadvantages of a policy.

Criterion F

It is important to carefully follow the rubric requirements. Many candidates lost a mark under criterion F because they did not provide a summary portfolio sheet with details of the sources, syllabus sections, the date commentaries were written and word counts. The descriptor about "different and appropriate sources" was designed to avoid candidates choosing excerpts from books, tutorial guides, government reports or personal blogs. A number of online media now include opinion columns which are technically "blogs" but these are acceptable if they are in a recognized news media source.

Recommendations for the teaching of future candidates

- The internal assessment should be an integral part of the IB course, not simply a set of homework assignments at the end of the course. The IA can be valuable to understanding the different parts of the syllabus and is especially important in providing examples that can be used in the externally assessed components. It is recommended that candidates read through their IA as part of their revision for the examinations.

- Centres should provide guidance in selection of suitable articles but the choice must be made by the candidate. Some centres used a very limited selection of sources and topics for their IA, which gave the impression the teachers had selected the articles. Teachers are reminded that they are allowed to give feedback on a first draft of the commentary but the second draft is considered final.

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- It is important to stress the potential consequences academic misconduct. Teachers should take care to verify the honesty of work presented, ensuring that the language and analysis presented is really that of the candidate.

Higher level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 5	6 - 10	11 - 17	18 - 24	25 - 30	31 - 37	38 - 50

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

Now that extended response questions are less open-ended and more specifically tied to each learning outcome (LO), candidates seemed to find it difficult to focus on the detail of the LO and its associated command term. Previously the command terms had usually been "explain" and "evaluate," but the introduction of new command terms (even though they are embedded as the action verb in each LO) caused a few difficulties. The command term "to what extent" is used twice in the exam paper, and candidates did not respond to it clearly.

The use of examples was patchy, as in previous sessions. Candidates still seem to find it difficult to relate economics to the real world, preferring to play safe by reproducing textbook notes rather than applying their knowledge.

There were a relatively small number of poorly prepared candidates who had insufficient knowledge to fill the time with valid material.

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

As always with a new syllabus there was variation in the preparedness for change. In many centres teachers had adapted their teaching to the new assessment model and their candidates were well prepared to deal with the new time constraint and LO/command term structure. However there were also centres where insufficient preparedness was evident.

Turning to subject matter, candidates wrote well in a general sense about monopoly power, PED and indirect taxes, negative externalities of consumption and labour market reforms, even if they did not always apply their knowledge to the specific needs of the question.

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

Question 1

(a) Relatively few candidates attempted this question compared with question 2. The term 'welfare' was sometimes wrongly defined and confused with the use of the term in other parts of the syllabus. Some pre-prepared responses were offered which described the characteristics of monopoly, insufficiently adapted to the needs of the

question. Diagrams were either correct or contained substantial errors and examples were rarely observed.

(b) This question proved relatively difficult because few candidates were aware of examples of government policies to reduce monopoly power. This made discussion of effectiveness almost impossible.

Question 2

(a) This was a popular question. It required three elements: explanation of price elasticity demand (PED); explanation of the imposition of an indirect tax; and how PED influences incidence. Many candidates managed the first two, sometimes with lengthy pre-prepared notes, but few were able to demonstrate incidence diagrammatically.

(b) This was perhaps the most effectively answered sub-question. While there were errors in some diagrams, most candidates were able to place the appropriate curves in appropriate relationships and superimpose the indirect tax. The majority of candidates used cigarettes and passive smoking as the example, and a few impressive responses made mention of the tax regimes of particular countries.
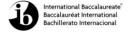
Question 3

(a) Few candidates attempted this question, favouring question 4. Although most responses contained reference to the Lorenz curve as a means of depicting equitable distribution, very few were able to link this to the nature of the market system or even define it adequately.

(b) Some policies were identified in a general manner, such as progressive taxes and transfer payments, but successful evaluation of their effects on efficiency in allocation of resources was rarely seen. In general question 3 was not well done.

Question 4

(a) This question was the more popular in the macroeconomics section. Responses divided sharply into those who could exemplify labour market reforms and those who could not. The former offered ADL/ASL diagrams and were able to link successfully to economic growth, and the latter did not.

(b) As in part (a) there was a distinction between those who could separate market-oriented from interventionist supply-side policies, the latter opening up the higher achievement levels. Examples tended to be generic (e.g. privatisation) rather than specific (a particular industry privatised in a particular country) but this was true throughout all of the responses.

Recommendations and guidance for the teaching of future candidates

- The main recommendation is related to examination skills.

- In this new syllabus the questions are based on learning outcomes, which make up the course, each of which has an associated command term, themselves classified into assessment objective (AO) levels.

  Teachers are strongly recommended to apportion teaching time and depth to each LO according to its AO level, and to make the precise meaning of each command term. These are defined clearly in the last few pages of the Guide (2010). This may sound like exam skills training, but it is helpful and there are publications to support it.

- Teachers should encourage candidates to use real world examples rather than generic ones. Now that examples are mentioned in achievement levels 3 and 4, the top level can be opened up by reference to a real world example. For example, in Q1(b), in explaining a real case of anti-monopoly legislation rather than referring generally to anti-monopoly laws.

- Teachers are encouraged to look at the structure of markschemes. This was made clear in the specimen papers and the guide. The expected structure of a response is definitions/theory/diagrams/examples in part (a) and the same plus evaluation in part (b). Many candidates departed from this structure by omitting particularly definitions and examples, and it is to be hoped that this will improve in future sessions.

Further comments

There were a number of cases of time misallocation, with the second part of the second question most affected. Two extended responses in 90 minutes can be difficult if exam skills training (see above) is not given.

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Higher level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 5	6 - 10	11 - 15	16 - 20	21 - 24	25 - 29	30 - 40

General comments

This subject 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 most appropriate responses, this report focuses more on the more common errors made by candidates. General comments about exam-writing techniques are similar, if not exactly the same as in previous reports on economics data-response questions.

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

The new format of two questions, from two distinct subject areas, did not seem to cause any obvious problems, although in general, candidates seemed to perform better on the international economics section than they did in the development economics section. There were no obvious signs of candidates having problems managing their time appropriately.

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

This will be addressed in the context of the individual questions.

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

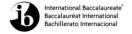This will be addressed in the context of the individual questions.

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

Question 1

This was a straightforward question, asking for standard economic theory in a clear manner.

1(a)(i)

This was an easy term to define. Most candidates correctly identified the term.

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1(a)(ii)

Again, this was a straightforward term to define.

1(b)

The vast majority of candidates answered this correctly. Some candidates were not 100% accurate in the labelling of the y-axis, but this was a minority of candidates.

1(c)

This was a good and fair question and was largely well-answered. Candidates 'lost' a mark by not identifying a particular component of aggregate demand that was affected by the remittances (consumption or investment). The markscheme acknowledged three possible diagrams: increased AD due to remittances, decreased AD due to a fall in remittances and an increase in LRAS due to the construction/investment. The most popular was an increase in AD; there were a notable number of the second, and very few of the third.

1(d)

There was a tendency for candidates to re-state bits of the text, without using their own knowledge to provide the necessary analysis. For example, candidates would often assert that a strong currency would cause a fall in exports and an increase in imports, but not explain why. Furthermore, to reach top levels, candidates would not only have to explain why there might be a change in exports and imports, but extend the analysis into revenue and expenditure changes, with a reference to elasticity of demand. Some candidates seem to think that if export revenues fall and import expenditure rises, then it means that this will automatically move the net exports into a negative value, causing a current account deficit.

It was rather common for candidates to write an exhaustive explanation of all of the possible consequences of the stronger currency, rather than focusing the analysis on the effects on the performance of the economy.

Question 2

2(a)(i)

A very small fraction of candidates accurately defined this term. Most candidates defined a free trade area, not recognising that such a trade deal involves liberalised trade on certain products.

2(a)(ii)

This question should have been straightforward for all candidates. A large number ignored the command term and explained two types of trade protection, which was unnecessary.

2(b)

> Since the tariff diagram seems to be the IB candidate's favourite diagram, it is not surprising that the diagram was largely drawn very well. A common error was to inaccurately label the 'world supply curve' as 'world price'. This prevented candidates from earning top marks. It was good to see candidates label the upward sloping supply curve as $S_{domestic}$, to distinguish it from the elastic world supply curve, but this was not required for full marks. A common shortcoming was to provide a general description of the diagram, without actually noting what the effect on the Malaysian palm oil producers would be. This also prevented candidates from earning full marks, and should serve as a reminder to candidates that they must read the questions carefully.

2(c)

> Correct definitions of the three types of integration earned full marks, and a good number of candidates could do so. Some candidates did not provide accurate definitions, but were aware that there was an increasing level of integration. Some seemed to equate a common market with a single currency zone.

2(d)

> For the most part, candidates wrote generic essays on the advantages and disadvantages of economic integration in general. Those who were able to develop the economic analysis, rather than just asserting the advantages and disadvantages were able to score high level 2 marks (up to 5 marks). To reach the top level, candidates had to show understanding of the particular context in their evaluation.

Question 3

3(a)(i)

> Most candidates were able to identify a couple of characteristics of micro-credit to earn full marks.

3(a)(ii)

> Most candidates were able to define one of the more well-known poverty cycles, or describe a cycle beginning and ending with a logical succession of points. Some candidates seemed to make up their own cycles, and if they were sensible, were able to score full marks. In some instances, a cycle was described, but the links between the points were far-fetched.

3(b)

> The majority of candidates recognised that the most appropriate diagram to illustrate changes in the distribution of income was the Lorenz curve diagram. There was a good number who did not accurately label the axes, or who mixed up the two axes labels. Many neglected to label the diagonal line. Not much was required in the

explanation other than saying that higher incomes for lower-income people might result in a more equal distribution of income.

3(c)

This question asked for two different changes on a PPC diagram. It was decided to accept an explanation of either of the changes as long as the explanation matched the change shown on the diagram. Thus, candidates could show either a shift in the PPC or a movement from one point inside the PPC to a point closer to the PPC (or on the PPC).

3(d)

As has almost always been the case with part (d) questions on economic development, there were a great many rambling, superficial responses with candidates making sweeping naïve statements. Very few candidates seemed to know very much about micro-credit so simply paraphrased bits of the text. Answers tended also to be uncritical, remarking only on the almost propaganda-like view of the benefits of micro-credit.

Question 4

4(a)(i)

The markscheme identified four possible sub-definitions of infrastructure, asking for two to be included. Far too many candidates simply provide a list of examples of infrastructure, without actually being able to say what it is.

4(a)(ii)

It was decided that any type of aid can theoretically be used for development purposes, and so all types of aid were accepted. As a result, the vast majority of candidates who chose this question earned 2 marks. Worryingly, some candidates seem to think that foreign direct investment is aid. 'Investment in education' was not accepted as a type of aid, since it does not identify where the money for the investment comes from, so it is not necessarily aid. If candidates identified 'loans' as a type of aid, they needed to note that the loans were to be concessional, or at low rates of interest.

4(b)

This was a straightforward question asking for a well-known model. It was generally well done. One rather common error was to shade an incorrect welfare loss triangle. As usual, some candidates mixed up the curve labels. A very small number of candidates drew a negative externality of consumption diagram. This earned no diagram marks, though they might have been able to earn a mark for the explanation.

4(c)

Most candidates should have been able to get at least 2 here. For full marks, candidates needed to be able to identify the aspects of development that are 'measured' in the HDI along with the specific indicators that are used as the measure.

4(d)

'Discuss' is a command term that requires candidates to offer a considered and balanced review that includes a range of arguments, factors, or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Stronger candidates identified the Chinese investment mentioned in the text and reviewed the possible pros and cons that may come from it, relating to the text, theory, and possible effects on economic development in Cambodia. They then went on to look at the US 'investment', which in fact was the suggestion of debt relief. They realised that debt relief may free up money for investment in environmental areas or education, as mentioned in the text, and explained that these were key factors for economic development. A number also used the improving Human Development Report figures from the table provided as evidence.

Weaker candidates ignored the text and simply wrote a response based upon the advantages and disadvantages of foreign direct investment (FDI).

Recommendations and guidance for the teaching of future candidates
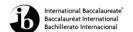
Many will note that these suggestions have appeared in previous reports, at both standard and higher level, for the past syllabus. However, since the structure of the questions, as well as the expectations, have not changed with the new syllabus, the advice remains largely the same.

- Teachers should really 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 might 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 people 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.

- Many part (b) and (c) questions require the use of a diagram, and these are generally all standard diagrams from the syllabus. Candidates would thus benefit if they

compiled a glossary of all the diagrams. Where a diagram is used in parts (b) or (c), candidates should be sure to use/explain the diagram by making references to it in the response. 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.

- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.

- 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 the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should not 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.

- 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 part (b) and (c) questions. They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.

- Candidates must be reminded that to achieve top marks in part (d) questions, they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts.

- Answers to part (d) questions 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.

- Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...' Each of the command terms has an explanation of the term in the syllabus guide and candidates and teachers need to be aware of these.

- Theory provided in responses to 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.

- Examiners are concerned at the extent to which candidates are uncritically paraphrasing the texts in their answers to part (d) questions. Candidates should be encouraged to think critically about the information in the text and challenge the viewpoints held by the authors or people quoted in the articles. Candidates often seem oblivious to the source of the information in the text, missing an ideal opportunity to do some evaluation.

Higher level paper three

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 8	9 - 16	17 - 21	22 - 28	29 - 34	35 - 41	42 - 50

General Comments

It appeared that candidates were easily able to understand what was expected of them, reflecting a clear set of instructions. The level of difficulty appeared to be appropriate.

Even with a "mathematical" paper, it is clear that there is a wide variety of ways to approach even the simplest question. The markscheme attempted to be as precise as possible whilst allowing examiners to exercise some judgement and without producing a document so long and complicated as to confuse. Feedback from examiners indicates that the markscheme was easy to follow and allowed marking to be relatively straightforward.

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

Although many candidates were able to perform calculations effectively, most struggled to explain the mathematical basis for economic relationships. Examples of this were:

- Explaining why an ad valorem tax would cause the new supply curve to diverge from the original.
- Explaining why the price elasticity of demand would change along a straight line demand curve.

Other areas of difficulty were:

- Explaining the reason why governments might calculate core inflation

- Explaining why a firm might choose to remain open in the short run if price rests between the break-even and shut down price

- Calculation of a percentage change in real GDP

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

Candidates were well-prepared for the manipulation and plotting of demand and supply functions.

Simple calculations such as percentage changes and price elasticity of demand were generally performed well, although with a surprising number of errors.

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Relationships between total, average and marginal cost and revenue curves were generally recognised and applied appropriately.

Calculation of tax revenue was done well by many candidates, but poorly by a significant percentage.

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

Question 1

(a-d) These question parts were answered very well – with the exception of the explanation for (d). Candidates were generally unable to explain that the new supply curve diverges from the original because the tax (which determines the vertical distance between the curves) increases as price increases (not "as quantity increases").

(e & f) Generally well done

(g) Many candidates recognised that the more elastic the demand, the more effective the government policy would be. However, a majority focused on the objective of raising revenue, and the incidence of taxation.

Question 2

(a-b) These question parts were generally answered well.

(c) Responses were mixed. While many answered appropriately, a significant number simply calculated percentage changes in the cost of the typical basket of goods. Most candidates recognised inflation and disinflation for the correct periods of time.

(d) This question was poorly answered in many cases. While candidates were able to identify problems of calculating a CPI to measure inflation, few were able to explain.

(e) Candidates found this question difficult, being unsure how to apply a deflator.

(f) Answers to this question were often very poor, with few candidates seemingly aware of the effect of price volatility on the usefulness of inflation calculations.

Question 3

(a-b) These parts were generally well answered.

(c)(i) The number of incorrect responses to a simple elasticity calculation was surprising.

(c)(ii) Most candidates were unable to explain why PED will change along a straight line demand curve. Many described rather than explained. Candidates referred to "the proportion of income spent increases as price rises, and so demand becomes

elastic" or "at low prices consumers are less responsive as the goods are cheap". Relatively few could explain that, for successive equal decreases in price, the percentage decrease in price increases – and vice-versa for quantity.

Some may have confused a straight line demand curve with a downward sloping demand curve.

For part (d), candidates were generally able to identify break-even and shut-down price and, for part (e), to calculate total costs from a graph

(f) Although candidates could explain the breakeven and shut-down prices (although many suggested that, at the shut-down price, variable costs are not being covered) they were unable to explain the short-run situation if price rests between break-even and shut-down.

Recommendations and guidance for the teaching of future candidates

- Remind candidates to follow instructions – show workings, use appropriate units, round to 2 decimal places.

- Ensure that candidates have covered the learning outcomes specified in the subject guide.

- Give greater emphasis to the mathematical relationships inherent in economic theory (such as that relating to the divergence of supply curves and changing elasticity along a straight line demand curve).

- Remind candidates of the specific meaning of command terms such as "explain" and "sketch".

- Provide candidates with practice at the calculation of "areas" on market diagrams, such as tax revenue, consumer surplus.

- Provide practice at the calculation of a price index and the use of a deflator to calculate real income.

- Provide practice at calculating elasticity from revenue/cost schedules.

Standard level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 4	5 - 9	10 - 17	18 - 23	24 - 29	30 - 35	36 - 50

General comments

The changes to the rubric on this paper where candidates have to answer two questions covering the microeconomic and macroeconomic sections of the syllabus made this difficult examination paper for some candidates.

The answers from candidates reflected this increase in difficulty. Answers often appeared rushed and, unsurprisingly, did not have the depth of answers in previous sessions. Candidates also struggled to sustain their answers across the 4 question parts they had to answer and many candidates had one weaker question part.

The questions themselves were quite challenging which, when combined with the rubric change, made this a relatively difficult paper. That said, this was an effective test of economics in terms of the theoretical demands on the candidates and the breadth of understanding the candidates needed to show.

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

Many struggled with question 1(b) on income elasticity of demand and question 3(a) on measuring inflation.

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

There were some good answers on the positive externalities associated with education and healthcare and the policy options governments might use to correct this market failure.

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

Question 1

(a)

There were some quite good answers to this question in terms of candidates' understanding of price elasticity of demand. There were some weaknesses such as answers showing a clear understanding of what price elastic and price inelastic actually mean in terms of the relative response of quantity demanded to a change in

price. Candidates struggled with their understanding of what a primary good is with goods such as clothing, health care and housing considered primary goods and this caused problems in terms of answering the question accurately. The key point was considering the necessity nature of many primary goods relative to manufactured goods which can make the demand for primary goods more inelastic than manufactured good.

(b)

Candidates found this question difficult and struggled to answer it accurately. Large numbers of candidates answered this question without a clear understanding of what income elasticity of demand actually is. The key point of the question was to examine the implication of income elasticity of demand for producers and economy as a whole by, for example, how the low income elasticity of demand of primary agricultural products means that these industries will not grow significantly as world incomes rise which in turn reduces the growth potential of economies based on primary goods. Very few answers achieved the theoretical explanation and evaluation needed to score high marks here.

Question 2

(a)

There were some good answers to this question. The best answers clearly defined positive externalities of consumption using effective theory and diagrams and explained how education and healthcare benefit the citizens of a country. There were good answers that used examples like the external benefits of improvements in the skill level of the labour force and how vaccinated individuals do not pass infections onto others. The major weakness on this question was answers that did not fully explain the positive externalities of health care and education.

(b)

There were some good answers to this question with candidates looking at policies to increase the consumption of healthcare such as subsidies, state provision and advertising. The best responses used effective theory and diagrams to illustrate their argument. Evaluative points that considered the cost of, for example, subsidies raised the best candidates into level 3 and 4 marking criteria. The weaker answers tended to be where candidates drifted onto general political points that were not supported by theory.

Question 3

(a)

This question caused candidates problems. It is quite a difficult question in that the theory aspect to measuring inflation is quite obscure and there is no natural diagram to support the question. Good answers would define inflation and explain how it is

measured using a price index. They would then go on to consider the problems of measuring inflation in terms of: deciding on what products should be in the index and how they should be weighted; changes in buying patterns and product quality; the inflation figure is an average and groups are affected in different ways and how the index can be distorted by one off changes in the price of products such as petrol. There is some evidence that candidates were attracted to question 3 because they liked part (b).

(b)

There were some quite good answers to this question but many answers lacked balance with candidates considering the problems of deflation (unemployment, reduced growth, impact on debt, for example) and not considering those problems alongside those of inflation (such as redistribution of income, impact on real incomes, reduced international competitiveness). This question did, however, produce some good theory answers with many candidates using AD/AS analysis quite well. This question was an interesting test of candidates' ability to evaluate effectively with candidates considering points such as: the relative level and causes of inflation or deflation; the impact of inflation and deflation on different stakeholders and the long and short term implications of inflation and deflation.

Question 4

(a)

The question produced some mixed responses. Weaker answers focused on growth and paid little attention to labour market reforms and the better responses used effective theory to consider reforms like reducing labour regulation, changes to minimum wages, reducing direct tax and changes to state benefits. It was good to see the best candidates develop their discussion of labour market reforms onto the impact on economic growth using AD/AS analysis to illustrate this. Some candidates, quite legitimately, considered labour market reforms in an interventionist way in terms of training, application of a minimum wage and greater protection of workers' rights.

(b)

This question was quite well done and a large number of candidates felt comfortable considering the theory behind demand- and supply-side policies in terms of encouraging economic growth. The best responses looked at how demand-side fiscal and monetary policy can deliver growth in the short term and be effective when, for example, the economy is in recession but how demand-side polices are less effective at promoting growth when the economy is operating at, or near, full employment. This was followed by a good discussion of how supply-side policies can be used when the economy is at full employment but the time they take to work makes them less effective when dealing with a current growth problem.

Recommendations and guidance for the teaching of future candidates

One of the key things to develop with candidates for future sessions is examination technique in terms of time management and question selection. The new format makes this aspect of the examination important and practice doing this is really going to help candidates.

Below are key points to work on for coming examination sessions:

- Application of price elasticity and income elasticity of demand

- Evaluation of the policies used to correct market failures

- Measurement of inflation and the weaknesses of method of measurement

- Problems of inflation and deflation

- Application of demand and supply side policies

- Use of examples to support the points made in answers

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Standard level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 4	5 - 8	9 - 13	14 - 18	19 - 24	25 - 29	30 - 40

General comments

This subject 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 most appropriate responses, this report focuses more on the more common errors made by candidates. General comments about exam-writing techniques are similar, if not exactly the same as in previous reports on economics data-response questions.

The examination seems to have been well-received by those centres that completed the 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.

The new format of two questions, from two distinct subject areas, did not seem to cause any obvious problems, although in general, candidates seemed to perform better on the international economics section than they did in the development economics section. There were no obvious signs of candidates having problems managing their time appropriately.

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

This will be addressed in the context of individual questions.

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

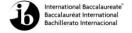This will be addressed in the context of individual questions.

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

Question 1

1(a)(i)

> Weaker candidates mentioned an increase in value, but failed to mention that it was in terms of another currency or, alternatively, in a floating exchange rate.

1(a)(ii)

This was generally correctly answered. Weaker candidates mentioned that it was something to do with loans, or savings, but nothing more.

1(b)

Most candidates were able to show a shift of the demand curve for Australian dollars to the right and to explain that people would need more Australian dollars to buy Australian commodities, and so the demand for, and thus the value of, the dollar would increase. Weaker candidates did not draw a foreign exchange diagram, but chose to draw a diagram showing the market for Australian commodities instead. This did not illustrate the answer to the question set.

1(c)

Most candidates were able to show either a shift of the AS curve to the right, representing cheaper production costs, or of the AD curve to the left, representing a fall in (X-M), and to explain the subsequent reduction in inflationary pressure. Weaker candidates seemed to misunderstand the question and explained the original cause of the inflation, thus not answering the question.

1(d)

This was a reasonably well answered question, with a good amount of material from the text on which to draw. Weaker candidates simply mentioned one or two of the effects given in the text and failed to evaluate them in any way. Others wrote short theoretical responses regarding the general effects of an appreciating currency, not relating their answers to the text. A number seemed to concentrate on the effects of inflation, confusing the internal value of money with the external value of the currency. This is a common mistake for weaker candidates.

Question 2

2(a)(i)

This was generally well answered. Weaker candidates omit the idea that it is a sustained increase and/or fail to make it clear that it is the general (or average) level of prices that increases.

2(a)(ii)

Most candidates were able to give any three of balance of trade in goods, balance of trade in services, (investment or factor) income (interest, dividends, profit), or (current or net) transfers.

2(b)

There were two approaches here. Most candidates showed a shift of the AS curve to the left and explained that increased wages would increase the costs of firms, reducing output in the Chinese economy. However, others showed a shift of the AD

curve to the right, explaining that the increase in wages would lead to an increase in incomes and thus consumption, leading to an increase in output in the economy. Weaker candidates tended to shift the curves the wrong way, especially the AS curve, reaching an incorrect conclusion.

2(c)

Most candidates explained that inflation would increase the cost of exports, reducing their demand, and increase the demand for imports. They then explained that this would reduce export revenue, increase import expenditure, and lead to a deterioration of the current account balance. A number of candidates concentrated on just the export effect, and ignored the imports side. Weaker candidates were not able to tie the two concepts together at all. This was an area that a significant number of candidates seemed to find difficult.

2(d)

The main weakness here was for candidates to write theoretical essays on protectionism, complete with diagrams showing tariffs, quotas, and subsidies, and all areas of the diagram lettered. Sadly, the text was not used and nor was any of the information given on the Chinese economy.

Better candidates managed to explain the possible problems of increased trade protection for the Chinese economy and to evaluate them, but these responses were few and far between.

Question 3

3(a)(i)

The majority of candidates explained that it is concerned with how the factors of production (land, labour, capital, and management) are distributed in an economy.

3(a)(ii)

There were a number of relevant points here, and any two of them were sufficient. The points were large scale public systems (services and facilities) of a country; necessary for economic activity; an addition to the capital stock of the country; and usually supplied by the government. Weaker candidates simply gave a list of examples of infrastructure, with no attempt to define the term.

3(b)

Better candidates explained how the price mechanism works and then further explained that it might lead to a more efficient allocation of resources, by satisfying the needs of buyers and sellers or bringing the market closer to the socially optimum level of output. Some candidates used a supply and demand diagram to explain the price mechanism and/or took a social surplus approach to explain the efficient allocation of resources, but a diagram was not necessary for full marks. A worrying

number of candidates did not seem to be aware of the term price mechanism and this is a concept that might well need attention in some centres.

3(c)

The first obvious thing to do in this question, as in most others, was to define economic growth and economic development, but many candidates failed to do this. In addition, many of those who did define the terms described economic growth as an increase in income, rather than an increase in real income. Most candidates were able to give reasons why economic growth may, or may not, lead to economic development.

3(d)

Once again, most candidates were aware of the theory involved in the question, in this case, market-oriented policies v government intervention, but then wrote a theory essay, as opposed to the requested evaluation. Better candidates considered the idea of a balance between the two policies and used the agricultural sector in Cuba, introduced in the text, as an example. They also introduced the pros and cons of government provision of infrastructure, schooling, and directing the economy. There were lots of examples which could have been gleaned from the text.

Question 4

4(a)(i)

Most candidates were able to explain that investment was spending by firms (or the government) on capital. However, some were vague and just said that it was to do with firms buying machinery, or did not define at all and simply gave examples of things that they thought were capital.

4(a)(ii)

This was generally well answered, with most candidates able to identify two forms of development aid from a long list that included grants, concessional loans, project aid, programme aid, debt cancellation, technical assistance, humanitarian aid, tied aid, multilateral aid, and bilateral aid. When one considers the length of the list, it is rather worrying that a significant number of candidates failed to state two, or even one, form of development aid and suggests that this might be another area of weakness.

4(b)

This was a generally well answered question, with the majority of the candidates drawing a diagram showing a negative externality of production with MSC greater than MPC and overproduction taking place. They then explained the market failure in a variety of ways, such as a misallocation of resources, or a situation where the market was operating at a level that was not socially efficient (Pareto optimal), since MSB≠MSC, or by discussing welfare loss to society (third parties).

4(c)

Once again, candidates mostly failed to define the important term in the question, life expectancy at birth. This may have been a lack of knowledge or of the demands of the question; it is hard to say which. Stronger candidates defined the term as the average number of years that a person may expect to live from the time of birth and then went on to explain that it is a measure that indicates the level of health care (and/or education) in a country and that improving health care is an accepted indicator of economic development.

4(d)

'Discuss' is a command term that requires candidates to offer a considered and balanced review that includes a range of arguments, factors, or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Stronger candidates identified the Chinese investment mentioned in the text and reviewed the possible pros and cons that may come from it, relating to the text, theory, and possible effects on economic development in Cambodia. They then went on to look at the US 'investment', which in fact was the suggestion of debt relief. They realised that debt relief may free up money for investment in environmental areas or education, as mentioned in the text, and explained that these were key factors for economic development.   A number also used the improving Human Development Report figures from the table provided as evidence.

Weaker candidates ignored the text and simply wrote a response based upon the advantages and disadvantages of foreign direct investment (FDI).

Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous reports, at both standard and higher level, for the past syllabus. However, since the structure of the questions, as well as the expectations, have not changed with the new syllabus, the advice remains largely the same.

- Teachers should really 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 might 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 people 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.

- Many part (b) and (c) questions require the use of a diagram, and these are generally all standard diagrams from the syllabus. Candidates would thus benefit if they compiled a glossary of all the diagrams. Where a diagram is used in parts (b) or (c), candidates should be sure to use/explain the diagram by making references to it in the response. 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.

- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.

- 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 the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should not 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.

- 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 part (b) and (c) questions. They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.

- Candidates must be reminded that to achieve top marks in part (d) questions, they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts.

- Answers to part (d) questions 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.

- Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...' Each of the command

terms has an explanation of the term in the syllabus guide and candidates and teachers need to be aware of these.

- Theory provided in responses to 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.

- Examiners are concerned at the extent to which candidates are uncritically paraphrasing the texts in their answers to part (d) questions. Candidates should be encouraged to think critically about the information in the text and challenge the viewpoints held by the authors or people quoted in the articles. Candidates often seem oblivious to the source of the information in the text, missing an ideal opportunity to do some evaluation.