

## ECONOMICS

### Overall grade boundaries

#### Higher Level

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 12	13 - 24	25 - 40	41 - 53	54 - 65	66 - 78	79 - 100

#### Standard Level

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 12	13 - 25	26 - 38	39 - 51	52 - 64	65 - 77	78 - 100

### Higher and standard level internal assessment

#### Component grade boundaries

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

### Recommendations for IB procedures, instructions and forms

This was the first November session for the new syllabus and most centres adapted well to the new criteria. There were a few exceptions, described below. Overall the standard was good although some candidates were hampered by weak English. Some centres produced excellent work.

A number of centres did not accurately complete the 3/CS form. A few used the syllabus sections from the old syllabus.

Please check the addition on the reverse side of the 3/CS form, and make sure the forms are signed by candidate and teacher.

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, not for definitions. Specific definitions are not required: the important thing is to demonstrate that the terms are understood and used accurately. 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 advisable to give the full URL of the articles. Articles should be complete and the parts that the commentary is focusing on should be highlighted. If an article is in another language, the candidate must provide a full translation that is comprehensible. Google translate is not always adequate. It is recommended that teachers include a comment on the portfolio, explaining the marks awarded. These comments should be on a separate sheet; the portfolios should not be annotated by the teacher. A few teachers marked on the scripts with red pen, which can create confusion if portfolios are moderated a second time.

## 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, while complying with the word count limit. 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: Diagrams**

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.

Some candidates made reference to colours on their graphs but then sent portfolios printed in black and white.

### **Criterion B: Terminology**

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 be 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: Application**

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 syllabus. Most candidates recognized the appropriate economic issues and scored well.

#### **Criterion D: Analysis**

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: Evaluation**

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 - 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: Rubric requirements**

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 and guidance for the teaching of future candidates**

- The IA should be an integral part of the 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. I would recommend that candidates read

through their IA as part of their revision.

- 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 that 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.
- A few centres, or candidates, did not appear to have produced a first and subsequent final draft of the commentaries.

## Higher level paper one

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 5	6 - 10	11 - 19	20 - 26	27 - 31	32 - 37	38 – 45

### General comments

A large majority of the centres that provided feedback expressed satisfaction with the paper. The standard of scripts was consistent with those of the May session. With regard to the questions, 1 and 4 were the more popular. There were relatively fewer responses to question 2. Question 3 was also less popular.

What was quite noticeable amongst the scripts was the fact that there was no obviously poorly done question. There was a full range of responses in terms of quality to each of the questions.

### The areas of the programme and examination which appeared difficult for the candidates

A significant minority of candidates were unable to accurately identify the leakages and injections associated with the circular flow. The concept of sustainability seems to be poorly understood by some candidates. Some candidates appear to run out of time, so time management might be a consideration for exam preparation. Some candidates confuse the labels on their diagrams between macroeconomic and microeconomic themes. Typically, drawing what looks like a microeconomic supply and demand diagram and then describing it in macroeconomic terms.

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

Candidates showed a good knowledge of indirect taxes and maximum price and the vast majority could accurately display them in diagrams. Candidates also seemed comfortable with policies to correct inflation. There was also a good understanding of national income statistics on display.

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

#### Section A - microeconomics

#### Question 1

- (a)** This was the singularly most popular question. The quality of responses was generally very high. The question is quite straightforward and candidates were able to access what the question was getting at with few problems. Diagrams were usually effectively employed, suitably labelled and accompanied by appropriate explanation. Good candidates were able to develop various impacts on consumers and producers including on levels of consumer and producer surplus.
- (b)** In part (b) they did tend, as expected, to refer to the content and the diagram in part (a). However, they often repeated information already given; they also tended to use maximum prices as one of the policy options, which was fine but few went beyond what they had already said in part (a). Examples were thin on the ground and this is something that needs to be stressed. The utilization of examples is indicated for both level three and level four of the level descriptors. Candidates usually considered subsidies and government welfare policies with good candidates able to provide real life examples, which were considered in a meaningful way.

## Question 2

- (a)** This question was unpopular but those who did do it were very well prepared. There were many very good responses. Part (a) is a straightforward question and candidates had few problems identifying reasons why governments impose indirect taxes, such as to influence consumption and correct for negative externalities in consumption and production.
- (b)** Sustainability appears to be a concept that deters many candidates. Many are unsure as to what it actually is and attempted to respond without offering a meaningful definition on which they might base the answer.

However, it is well represented in the syllabus and if centres are overlooking this area they should reconsider. Good candidates began with a definition of sustainability and proceeded to consider possible government responses to threats to sustainability such as carbon taxes and cap and trade schemes. Some candidates were able to provide very well thought through arguments supported by real life examples.

## Section B - macroeconomics

### Question 3

- (a)** Candidates usually opted for a diagram to present the circular flow model for this question. A surprising numbers of responses could not clearly identify the relevant leakages and injections accurately. The question was trying to establish whether candidates could relate the relative magnitude of leakages and injections to changes in the level of economic activity. Many candidates were able to obtain high marks here.
- (b)** Part (b) was very straightforward and respondents were usually able to produce a good answer to this. Responses tended to take a critical line and it is perhaps worth noting that evaluation needs to have an element of balance. Some candidates produced answers that did not sufficiently respond to the precise demands of the question. They tended to

discuss the merits of national income statistics in general without establishing links to the “standard of living over time” as specified by the question.

#### Question 4

- (a) Candidates experienced few problems with this question. Most chose to begin by explaining in general terms how the CPI index is assembled. They were usually able to identify the relevant drawbacks relating to the use of a CPI index such as the differences that might exist in consumption patterns between different income levels.
- (b) This was a very straightforward question for most candidates and they tended to approach the question with the use of demand side and supply side policies. It was usual to see candidates distinguish between types of inflation. Some good candidates referred to specific governments and policies that they had enacted. A number of candidates provided diagrams that they labelled as microeconomic diagrams but then proceeded with the macroeconomic explanation appropriate to the question.

### Recommendations and guidance for the teaching of future candidates

- Emphasize the use of examples. One possibility to support the use of examples is to get candidates to keep a diary of economic events throughout their course. This will provide them with examples that they can utilize in the examination. It may also assist them in the search for suitable articles for their internal assessment.
- Use diagrams carefully. Candidates should use appropriate labels with regard to macroeconomic and microeconomic scenarios.
- Candidates need to be made aware that they need to cover the whole syllabus. The way the assessment is structured makes it hazardous to omit any particular area. It was evident from some scripts that some candidates had engaged in selective revision.
- Stress to candidates the need for careful time management between the two sections of the paper. Candidates should have practice with regard to time management under examination conditions.
- Candidates should pay attention to the clarity of their handwriting. As the digital age progresses there are an increasing number of scripts that are very difficult to read. Scripts that are hard to read are obviously difficult to assess.

## Higher level paper two

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 4	5 - 9	10 - 14	15 - 19	20 - 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 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 (few) 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.

For all questions, there were obviously some excellent responses, with candidates understanding the text and correctly identifying the appropriate and relevant economic theory. There were also some extremely weak responses, where candidates showed very little awareness of appropriate economic theory and little understanding of the texts.

Synthesis 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** synthesis must be carried out.

### The areas of the programme and examination which 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

### Section A – international economics

#### Question 1

This was the least popular question on the exam, testing two topics (terms of trade and floating exchange rate systems) that are known to be less popular among candidates. The inclusion of several graphs as well as a long text also made it a challenging question.

#### 1(a)(i)

Most candidates were able to achieve at least one mark for the definition of recession. Some failed to note a recession involved a fall in GDP for two consecutive quarters.

#### 1(a)(ii)

Most candidates were able to achieve at least one mark for the definition of current account by explaining it as a record of trade in goods and services. Few candidates noted all four elements of the account.

#### 1(b)

It is rather well known that 'terms of trade' is among the least popular topics on the syllabus. There was the common issue that candidates confuse the terms of trade with the balance of trade. Furthermore, it was not immediately obvious what diagram candidates had to draw here, so this caused some issues. Therefore, this question was generally not well done. Nonetheless, there were still some excellent candidates whose answers were exactly as described by the markscheme.

#### 1(c)

Many candidates were able to recognise that the financial account and the current account have to balance, and could explain that there would have to be a financial account deficit to balance the current account surplus. Fewer were able to make the next step to identify a particular component on the account.

#### 1(d)

Few candidates did well on this question, with many lapsing into a discussion of why the appreciation of the Bolivian currency was beneficial, rather than focusing on the benefits of a managed float.

**Question 2****2(a)(i)**

'Business confidence' is a difficult term to clearly explain as there are so many elements to the concept. To try to focus on the key element of the term, it was decided that candidates would need to link confidence to investment, as this is really where it shows up on the syllabus, and many were able to do so. The vast majority of candidates earned at least one mark on this question.

**2(a)(ii)**

Most candidates earned full marks on this question. Shortcomings included leaving out the word 'sustained' from the definition.

**2(b)**

Some candidates drew a currency diagram, rather than a diagram showing the effect of the strong currency on the economy.

**2(c)**

This question was a good, straightforward question testing a clear learning outcome. It was well answered by many. Where marks were lost, it was typically in the incomplete labeling of the vertical axis.

**2(d)**

This question was handled reasonably well by many candidates, and was a good discriminator. Weaker candidates repeated too much of the text without providing sufficient economic analysis. Candidates who were able to move into the top mark band showed a very good understanding of exchange rate theory in the context of the case study.

**Section B – development economics****Question 3****3(a)(i)**

Most candidates achieved at least one mark for showing understanding that diversification involves producing more than one product. For full marks it was necessary to note that diversification is a deliberate strategy, rather than something that simply happens.

**3(a)(ii)**

Almost all candidates achieved at least one mark defining economic growth. Where full marks were not awarded, it was usually when the word 'real' was not included with GDP.

**3(b)**

This was a very straightforward question, and almost all candidate were able to identify two reasons. Where candidates didn't get full marks, it was usually because they listed two reasons (such as low wages) without explaining why it would be desirable for MNCs. Most candidates were able to achieve 3-4 marks on this question.

**3(c)**

For full marks, candidates had to explain why over-specialization is a problem (there are many reasons, as shown in the markscheme) *and* make the link to development. Where candidates didn't achieve full marks, it was usually because they neglected to explicitly make the link to development.

**3(d)**

Candidates probably expect a question on foreign direct investment, and so there were many pre-learned generic essays. Furthermore, there were a lot of points in the text about the advantages and disadvantages of MNC investment. Therefore, most candidates were able to reach level 2. To reach higher marks candidates needed to show critical awareness of the difference between Chinese and Indian investment and also to use economic analysis to develop the points from the text. (It is shocking to see how many candidates still think that Africa is a country.)

**Question 4****4(a)(i)**

Most candidates were able to explain that economic growth is an increase in real output (real GDP) over time. Weaker candidates omitted the 'real' element.

**4(a)(ii)**

Candidates needed to be able to state that the higher GNI (GNP) per capita must be because there exists a positive figure (balance) for net property income (current transfers) in both cases. Many candidates had no idea about this question and it is obviously an area of the syllabus that teachers need to address.

**4(b)**

Better candidates explained that since the GNI per capita figures for India and Moldova were similar, the differences in HDI values must stem from differences in life expectancy and mean years of centreing. A few candidates explained that there was approximately a 5% difference in GNI per capita figures and they were also, obviously, rewarded. Some candidates had clearly not heard of the Human Development Index and so were guessing in their responses.

**4(c)**

This was a question that candidates tended to get either completely right or completely wrong. Better candidates drew a correctly labelled Lorenz curve diagram, with an outward shift in the Lorenz curve, and explained that this indicated an increase in the Gini coefficient because of greater income inequality. Weaker candidates simply did not seem to know what Lorenz curves and Gini coefficients were and so failed to provide appropriate responses.

**4(d)**

'Examine' is a command term that requires candidates to consider an argument or concept in a way that uncovers the assumptions and interrelationships of the issue. Opinions and conclusions should be presented clearly and supported by appropriate evidence.

Stronger candidates took the quotation from Amartya Sen that economic growth should not be "our ultimate objective, but a very useful means to achieve ... a better quality of life" and then used it to question/consider the relationship between economic growth and quality of life (economic development). They also used information from the text and tables, such as reference to Bangladesh's superior performance in spite of lower growth rates and lower GNI per capita, or Moldova's higher HDI despite lower GDP per capita. There was much information in the extracts that could be used.

Weaker candidates saw the term 'economic growth' in the question and then wrote a response on how economic growth may be obtained, using some theory and nothing from the text. Although it is not knowledge required by the syllabus, it was worrying to see the number of candidates that thought that Amartya Sen was a woman.

## Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous examiner reports at both the standard and higher Level. Since the expectations have not changed, the advice remains 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 responses to 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 their 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 ( $q_1$  to  $q_2$ ) or ( $AD_1$  to  $AD_2$ ) 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 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.
- 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.
- Candidates must be aware of the different command terms that may be employed in responses to 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 depth required in the response given by the IB in the economics guide and candidates and teachers need to be aware of these.
- 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.

- Examiners are concerned at the extent to which candidates are uncritically paraphrasing the texts in their part responses 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

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 8	9 - 16	17 - 23	24 - 29	30 - 36	37 - 42	43 - 50

### General comments

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

#### Section one – microeconomics

Although candidates were able to identify the relationship between price and quantity demanded, or income and quantity demanded, many were unable to provide a reason for these relationships.

A surprising number were not able to state the formulae for PED and YED accurately. A significant number of candidates inverted the formula.

Although candidates were generally able to identify the effect on revenue from a given price change (with given PED) many could not articulate the reasoning behind this. Few specified that the increase in price would lead to a smaller than proportionate decrease in quantity demanded.

When discussing cross price elasticity of demand, candidates struggled to apply the data effectively, neglecting to identify the magnitude and hence failing to draw a full, appropriate conclusion.

Many candidates struggled to recognise that as income increases, demand for an income elastic product will increase at a faster rate than the increase in income.

A significant number of candidates struggled to provide the equation used to calculate marginal cost, confusing the issue with references to changes in labour input.

A surprising number of candidates failed to comply with the instruction to give answers exact or rounded to 2 decimal places.

Many candidates struggled to calculate marginal costs, neglecting to divide the increase in total costs by the increase in output.

Definitions of productive efficiency often referred to a relationship between input and output, with no reference to costs or a vague reference that ‘costs should be as low as possible’ rather than specifying that average costs should be minimised.

The relationship between the Law of Diminishing Marginal Returns and Marginal Costs proved to be a real challenge. It was common for candidates to provide a long and full definition of the Law and then give a vague application which did not specify the changing relationship between increasing costs and increasing output.

Many candidates were able to identify a source of economies of scale, but struggled to explain how an increase in the scale of production gave rise to the said economy of scale, or how the economy of scale would result in a decrease in average costs.

### **Section two – macroeconomics**

Most candidates recognised that the expenditure approach referred to a method of calculating national income/GDP, but a significant number overlooked that the approach measures expenditure on domestic output only.

The use of the GDP deflator was disappointing, with many candidates seemingly unfamiliar with the procedure for converting values *prior to the base year* from nominal to real GDP.

Several candidates confused investment (as a component of national income) with short term financial investment, arguing that a high interest rate would attract investment. Others did not know the key factors influencing investment.

Candidates generally understood the beneficial effects of a high rate of investment, but struggled to provide a response which focused on supply-side economics. Many argued that investment “means that infrastructure will improve” using this as the only basis for their argument.

### **The examination**

Many candidates did not recognise the need to provide more than a simplistic answer. For example “when price goes up, demand goes down” was offered in many cases as an answer to the first question.

Candidates often failed to understand the requirement for precise, specific explanations of economic concepts. It was all too often the case that the candidate demonstrated a basic understanding but could or did not articulate it clearly.

An astonishing number of candidates neglected to label the costs curves which they had drawn accurately.

Many candidates failed to indicate, on the graph, the effect of increased aggregate demand on the equilibrium level of real output.



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

### Section one – microeconomics

Candidates generally appeared to be well-prepared for the manipulation of numerical data such as equations relating to elasticity, and to the significance of the negative/positive co-efficients of PED, YED and XED.

Candidates were well-prepared for definitions and for calculations of average costs and marginal product. The exception was calculation of marginal cost.

Graphs were generally drawn accurately and neatly, with appropriate labelling of axes.

Candidates appeared well-versed in the economies of scale, although the quality of explanation was disappointing.

### Section two – macroeconomics

The calculation of nominal GDP was done well.

Many candidates were able to apply the GDP deflator effectively, although a significant number struggled.

Calculation and application of the multiplier was done well. Most candidates were able to recognise and illustrate the effect of increased exports on AD and hence on real output.

### The examination

Candidates were well-prepared for the necessity of showing their workings in calculations.

Diagrams were generally drawn accurately and labelled appropriately.

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

### Question 1

**(a) (i)** Many candidates gave an answer which was merely stating the obvious – that as price increased quantity demanded falls – without any elaboration.

**(ii)** This question was generally well done.

**(b) (i)** Generally well-answered. Some candidates inverted the formula, or failed to round accurately.

**(ii)** Generally well-answered. Some candidates inverted the formula, or failed to round accurately.

- (iii)** The majority of candidates recognised that revenue would increase due to the demand for food and beverages being inelastic, but were not able to provide any reasoning for this – for example that quantity demanded would fall by a smaller proportion than the increase in price.
- (c) (i)** Candidates recognised the nature of the complementary relationship, although few attempted to explain it. For full marks it was necessary to refer to and apply the magnitude of the elasticity co-efficient, but relatively few candidates did this.
- (d) (i)** Generally well-answered. Some candidates inverted the formula, or failed to round accurately.
- (ii)** Generally well-answered. Some candidates inverted the formula, or failed to round accurately.
- (e) (i)** Very well-answered.
- (ii)** Very well-answered.
- (iii)** Candidates generally recognised that spending on health care would increase, but failed to refer to the co-efficient of income elasticity in order to show that it would increase faster than income, hence increasing the proportion of income spent on health care. A significant number of candidates appeared to consider health care a necessity to the extent that, as income increases, the proportion of income spent on the product would decrease – thus ignoring the co-efficient of income elasticity (+1.31).

## Question 2

- (a)** Most candidates were able to provide an accurate difference. However, several referred to the somewhat imprecise idea that “variable costs can change while fixed costs cannot”.
- (b) (i)** A straightforward question, generally answered accurately.
- (ii)** The MP curve was drawn accurately in most cases, although was common to see the label missing.
- (iii)** Most candidates indicated that diminishing returns set in after the second unit of labour – indicating this either at the apex of the curve or between the second and third units of labour.
- (c) (i)** The majority of candidates were able to state the equations accurately, although some substituted a definition for an equation.
- (ii)** Average total cost was usually calculated accurately, although with a tendency to round incorrectly. Marginal cost proved to be more of a problem, as candidates confused the quantity of labour input with total product in their calculations.
- (iii)** Well-answered.

**(iv)** Although many candidates provided an accurate definition, a significant number did not refer to costs, or referred only to “minimising cost” rather than minimising average costs.

**(d)** This was the hardest question on the paper. Candidates could define the Law of Diminishing Marginal Returns, but struggled to explain that, given equal successive increases in total costs arising from increased labour input, the gradual decrease in marginal product would cause marginal cost to rise. Good candidates illustrated the relationship by using the formula, showing that the numerator would rise more quickly than the denominator.

**(e)** Most candidates identified an economy of scale such as “bulk-buying” or “technical economies” but many struggled to explain why the economy was the result of increased scale. Moreover, many struggled to explain how the economy of scale would lead to reduced average costs, some stating simply that “costs of production would fall”.

### Question 3

**(a)** Generally well-answered. Candidates were required to include the elements of the calculation or to specify that expenditure on domestic output only is to be measured.

**(b) (i)** Almost all candidates answered correctly.

**(ii)** Generally well-answered, although a significant number of candidates adjusted incorrectly, entering the GDP deflator for 2009 as the numerator in the equation rather than the denominator.

**(iii)** Most candidates were able to calculate a percentage increase.

**(iv)** This was an easy question, with the majority of candidates earning full marks (the OFR was applied in many cases).

**(c) (i)** A small number of candidates used an incorrect formula, but the majority of candidates earned full marks.

**(ii)** Most candidates were able to multiply their answer for the multiplier by the increase in exports. Prior to the calculation, a small number of candidates converted exports at 2009 prices to their real value at 2010 prices, and were rewarded for this approach

**(iii)** Answers to this question were generally pleasing. Candidates were able to explain that an increase in exports would shift the aggregate demand curve to the right, illustrating this effectively. However, the question required use of the diagram to illustrate the impact of the change in exports on real GDP – and many candidates did not show the change in GDP on the diagram.

Candidates were rewarded for a diagram which attempted to illustrate the multiplier effect, showing an initial increase in AD and a subsequent, larger increase.

**(d) (i)** Most candidates were able to state a factor affecting investment, and the majority of these identified the causal relationship. However, a significant number stated but did not explain, while it was not uncommon for the response to explain a reason for investment (such as “to improve capital”) rather than for the high level

**(ii)** Many candidates focused on a particular form of investment and used this as the focus for their answer, rather than providing a supply-side approach. For example, it was argued that investment will increase education... and then the benefits of education were explained.

## Recommendations and guidance for the teaching of future candidates

- Candidates should be reminded to show units and round correctly. It would be helpful if teachers could insist on rounding to 2dp throughout the course, not just in assessment activities
- When discussing elasticity, responses should incorporate references to the issue of proportionality, which can be used to draw appropriate conclusions
- Teachers should provide exercises in calculating marginal cost which include varying changes in output, so that the denominator in the marginal cost equation becomes important
- Candidates should be advised to beware of using an example to explain a more general issue. An explanation of supply-side economics cannot be fully explained with reference to one example only.
- Teachers should introduce candidates to calculations of real GDP in which some of the nominal figures given are for years prior to the base year.
- Many candidates lose marks because of their imprecise explanation of economic concepts. To earn full marks, explanations should be precise, accurate and focused. Teachers should require that this skill is practised by candidates and suitable feedback given.
- Candidates should be reminded to use diagrams effectively by labelling fully. For example, if the question requires the use of an AD/AS diagram to show a result, such as the effect on economic growth, then the change in real output should be indicated clearly on the diagram.

## Standard level paper one

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 6	7 - 12	13 - 19	20 - 25	26 - 32	33 - 38	39 – 50

### General comments

The overall response to standard level paper 1 was a positive one. Centres and assistant examiners responded well to the questions asked and the overall make-up of the paper 1. The most popular questions in terms of candidate responses were questions 1 and 3.

### The areas of the programme and examination which appeared difficult for the candidates

The performance of candidates on the first three questions suggested there were no general weaknesses on the syllabus areas covered by these questions. However, the responses to question 4(a) suggested candidates were not well prepared for a question on the producer price index.

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

It is pleasing to see many candidates producing good answers to most of the questions asked. There was clear evidence that candidates had understood the learning outcomes covered by the questions asked and used effective technique to score well on the marking criteria. It is encouraging to see many candidates understanding what they need to do to achieve the top levels of the assessment criteria. It is good to see candidates defining key terms accurately, answering questions with well explained theory, drawing appropriate diagrams and evaluating the points they make effectively. The area which needs improvement is the use of examples in answers to illustrate points being made, particularly in the macroeconomics questions.

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

#### Section A - microeconomics

##### Question 1

- (a) This was generally well answered with candidates using effective market failure theory to answer the question. Cost and benefit diagrams were well drawn and clearly labelled. One issue, however, is the way candidates explain what a demerit good is. Many focus

too much on 'a good associated with negative externalities' which it is, but this meant some candidates talked about production externalities. It would also be good to see candidates develop the argument that demerit goods are over-consumed because buyers do not consider the personal consequences of consuming goods like the health effects of alcohol and tobacco.

- (b) This question was clearly answered with effective theory and evaluation. Most answers looked at indirect taxes, negative advertising and regulation as policy approaches to demerit goods. It was good to see candidates using effective theory and diagrams to illustrate the application of the policies used. Many answers evaluated the policies effectively by looking at, for example, the impact of an indirect tax imposed on demerit goods on different stakeholders and the impact an indirect tax might have on the market for a demerit good overtime.

## Question 2

- (a) This question was less popular but there were many good answers using effective theory and examples. The best answers looked at the impact of substitutes, luxury/necessity, time and price as factors that determined PED. The weakness of answers here was a lack of clarity in the explanation of how the factors affected PED. It was particularly useful for candidates in this question to use effective examples to explain how different factors affect PED.
- (b) This was quite well answered with good explanations of how changes in price with inelastic and elastic PED affect revenue. The diagrams used to support the answers were generally well drawn and explained with candidates showing how revenue changes when price is changed. Some candidates, however, struggled to evaluate the points they made in this question. It would have been good to see candidates considering the challenges firms have when trying measure PED and the fact that price changes do not take place in isolation from other factors that affect demand.

## Section B - macroeconomics

### Question 3

- (a) This was generally well answered with good explanation of both types of unemployment. Theory and diagrams were used effectively here but it would be nice to see candidates use more examples to support the points they make. In case of structural unemployment, for example, it would have been good for candidates to explain how a decline in the steel industry in a country would lead to unemployed steel workers finding it difficult to get new jobs because their skills are not easily transferrable to different occupations. Candidates were stronger at explaining cyclical unemployment than structural unemployment.
- (b) Most candidates considered the application of fiscal and monetary policy to the problem of cyclical unemployment. The explanation of these policies was generally good with effective use of diagrams to illustrate the macroeconomic implications of using these policies. There was some particularly good evaluation of these policies with candidates

looking at the impact of demand side policies on inflation and debt. The use, however, of examples was quite limited here and with so many governments around the world trying to tackle the problem of cyclical unemployment this was a little disappointing.

#### Question 4

- (a) The answers here were generally quite weak, although there were some good responses. This was a question that centres will not have seen before so in some ways it was not surprising that candidates struggled with it. It highlights the fact that centres need to be prepared for questions on any of the learning outcomes in the guide. The key point to the answer was to explain that the producer price index measures inflation in the price of inputs firms need to buy and how this might lead to future inflation in the consumer good market.
- (b) This was not particularly well answered. It is quite a challenging question because most governments approach the inflation problem using monetary policy supported by fiscal policy. The most effective answers explained how supply side policies create the conditions for price stability in the long run. Good responses here considered by looking at how market based supply side policies like, deregulation of markets and privatisation of key industries as a way of shifting the LRAS to the right and allowing the economy to achieve low inflation growth. The focus on evaluation here is the time it takes for this type of supply side approach to low inflation and how this policy may not be effective for a current inflation 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 really important and practice doing this is really going to help candidates.

Here are some key things to work on for coming examination sessions:

- The use of examples to explain the determinants of PED
- Evaluation of the role of PED for firms trying to increase revenue
- Using examples to illustrate cyclical and structural unemployment
- An understanding of the producer price index and its use in predicting future inflation
- The application of supply side policies to reduce inflation

## Standard level paper two

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 5	6 - 10	11 - 14	15 - 19	20 - 25	26 - 30	31 – 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 mark scheme 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 time problems.

### The areas of the programme and examination which 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

#### Section A – international economics

##### Question 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 system.



- (ii)** This was not very accurately answered. Although many candidates were aware that it was an agreement between countries to trade freely amongst themselves, too many failed to explain that member countries could maintain their own trade barriers with non-member countries.
- (b)** This was generally well answered, with most candidates giving a correctly labelled exchange rate diagram showing a shift of the demand curve for the peso to the right and an increase in the exchange rate; explaining that savers from developed countries would like to save in Mexico and so would demand more pesos in order to do so. Weaker candidates tended to be all at sea here, with many unable to draw a foreign exchange diagram and a significant number attempting to use an AD/AS diagram.
- (c)** This was also generally well answered, with a diagram showing AD shifting to the right, and an explanation that increased (net) exports would increase aggregate demand and so increase real GDP. Weaker candidates seemed to think that export growth would lead to an increase in SRAS and so economic growth. The explanations for this were clearly illogical.
- (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 their economic impact in any way. A significant number of candidates wrote short, purely theoretical responses regarding the general effects of an appreciating currency, not relating their answers to the text. Weaker candidates were confused between the internal value of money with the external value of the currency, and seemed to think that an appreciation of the peso was inflation. They thus wrote about the economic effects of inflation, gaining no reward.

## Question 2

- (a) (i)** This was a surprisingly poorly answered question, with many candidates not realising what administrative barriers were and stating such things as tariffs, quotas, or subsidies. Answers tended to be completely incorrect or completely correct.
- (ii)** The vast majority of candidates were able to define a tariff as a tax imposed on imported goods.
- (b)** Most candidates were able to draw a correctly labelled tariff diagram and to explain that US tyre producers would be able to sell more tyres at a higher price than before the tariff. Weaker candidates did not draw an international trade diagram but, instead, tried to draw a microeconomic tax diagram and were unable to use it to illustrate the desired outcome.
- (c)** There was some confusion regarding this question, which may derive from imports (M) being a negative value in the Aggregate Demand function. Better candidates explained that lower imports would increase  $(X - M)$ , thus shifting the AD curve to the right and increasing real output in the economy. However, a significant number of candidates thought that a fall in imports would shift AD to the left and so reduce real output. Another group did not realise that SRAS is shifted by changes in the costs of factors of production and attempted to explain falling imports with a resultant shift in SRAS.

- (d) Once again, the main weakness here for weaker candidates was to write theoretical essays on trade protectionism, complete with diagrams showing tariffs, quotas, and subsidies, and all areas of the diagrams lettered. Sadly, the text was not used, nor was there any mention of an economic downturn.

Better candidates managed to explain the possible problems of increased trade protection using positive and negative information from the text. Positive points identified from the text included lower unemployment in domestic industries, higher output for domestic firms, and the survival of communities. Costs of trade protection, identified from the text, included higher costs, less choice for consumers, advantages for domestic firms over foreign competitors, and a possible long-term loss of competitiveness. Effective discussion consisted of a balanced review of the benefits and costs of protection in terms of improving an economic downturn.

## Section B – development economics

### Question 3

- (a) (i) Many candidates were able to explain the two important points relating to foreign direct investment, i.e. that it is long-term investment, carried out by multinational corporations. Weaker candidates simply mentioned investment of some sort, often thinking that it was carried out by governments.
- (ii) The two main points that required identification were that diversification is a strategy to reduce reliance on the export of a narrow range of products and that its aim was to reduce the risks of over-specialisation. Most candidates got at least one of the points.
- (b) Better candidates defined MNCs, although this was not required, and then explained reasons why the MNCs may have been attracted to Botswana by identifying the reason, such as good infrastructure making it easier to move goods and resources, and the positive outcome, such as lower costs. Weaker candidates identified possible reasons from the text, but failed to explain why these would make Botswana attractive to the MNCs.
- (c) As in part (b), stronger candidates identified examples of the Botswana government's intervention in infrastructure, such as access to education, and then explained how that might impact positively for economic development. Weaker candidates once again identified possible benefits, but did not explain how they would lead to economic development.
- (d) Once again, most candidates were aware of the theory involved in the question, in this case, supply-side policies, but then wrote a theory essay, as opposed to the requested evaluation. A small, but significant, number of candidates were obviously not aware of what supply-side policies are and were completely lost here. It was worrying to see that such a significant part of economic theory appears to be beyond the reach of some candidates.

Better candidates defined economic development and supply-side policies and evaluated their possible effectiveness in Botswana by identifying and explaining examples of interventionist and market-based supply-side policies, using the text where appropriate, and making an appraisal by weighing up their strengths and limitations for the Botswana government.

#### Question 4

**(a) (i)** Most candidates were able to explain that economic growth is an increase in real output (real GDP) over time. Weaker candidates omitted the 'real' element.

**(ii)** Candidates needed to be able to state that the higher GNI (GNP) per capita must be because there exists a positive figure (balance) for net property income (current transfers) in both cases. Many candidates had no idea about this question and it is obviously an area of the syllabus that teachers need to address.

**(b)** Better candidates explained that since the GNI per capita figures for India and Moldova were approximately the same, the differences in HDI values must stem from differences in life expectancy and mean years of schooling. A few candidates explained that there was approximately a 5% difference in GNI per capita figures and they were also, obviously, rewarded. Some candidates had clearly not heard of the Human Development Index and so were guessing in their responses.

**(c)** This was a question that candidates tended to get either completely right or completely wrong. Better candidates drew a correctly labelled Lorenz curve diagram, with an outward shift in the Lorenz curve, and explained that this indicated an increase in the Gini coefficient because of greater income inequality. Weaker candidates simply did not seem to know what Lorenz curves and Gini coefficients were and so failed to provide appropriate responses.

**(d)** 'Examine' is a command term that requires candidates to consider an argument or concept in a way that uncovers the assumptions and interrelationships of the issue. Opinions and conclusions should be presented clearly and supported by appropriate evidence.

Stronger candidates took the quotation from Amartya Sen that economic growth should not be "our ultimate objective, but a very useful means to achieve ... a better quality of life" and then used it to question/consider the relationship between economic growth and quality of life (economic development). They also used information from the text and tables, such as reference to Bangladesh's superior performance in spite of lower growth rates and lower GNI per capita, or Moldova's higher HDI despite lower GDP per capita. There was much information in the extracts that could be used.

Weaker candidates saw the term 'economic growth' in the question and then wrote a response on how economic growth may be obtained, using some theory and nothing from the text. Although it is not knowledge required by the syllabus, it was worrying to see the number of candidates that thought that Amartya Sen was a woman.

## Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous examiner reports at both the standard and higher Level. Since the expectations have not changed, the advice remains 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 responses to 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 their 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 ( $q_1$  to  $q_2$ ) or ( $AD_1$  to  $AD_2$ ) 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 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.
- 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.
- Candidates must be aware of the different command terms that may be employed in responses to 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 depth required in the response given by the IB in the economics guide and candidates and teachers need to be aware of these.
- 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.
- Examiners are concerned at the extent to which candidates are uncritically paraphrasing the texts in their part responses 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.