DIPLOMA PROGRAMME

Teacher Support Material

Economics

Internal Assessment

IBO

INTERNATIONAL BACCALAUREATE ORGANIZATION

For first examinations in 2005

Diploma Programme Economics
Teacher Support Material: Internal Assessment
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Contents

Introduction

This teacher support material was prepared with the assistance of the curriculum review team. It should be read in conjunction with the Diploma Programme *Economics* guide (published February 2003 for first examinations in 2005). The Diploma Programme *Economics* guide also appears online at www.online.ibo.org, and teachers are encouraged to use this version, which has links to glossary items, diagrams, the specimen papers and command terms for examination questions.

The requirements for higher level (HL) and standard level (SL) internal assessment, which are the same, are provided in this document, together with the portfolios of two students. These portfolios have been assessed using the assessment criteria and achievement levels provided in the *Economics* guide (February 2003), and are accompanied by commentaries from the moderator.

The portfolios provided are actual student work and are presented in their original styles. These may include spelling, grammatical and any other errors.

In addition to the two sample portfolios by students there are further notes for guidance. These notes include: frequently asked questions; sample coversheets for both commentaries and the portfolio; a checklist for students; a checklist for teachers; advice for students; and a guide for students on referencing sources.

The purpose of this teacher support material is:

- to provide teachers with examples of the work that must be undertaken for the portfolios
- to show the application of the assessment criteria to the portfolios and why the various marks were awarded
- to provide extra materials that can be given to students to help them write their portfolios.

Requirements

Internal Assessment

Internal assessment is an integral part of the Diploma Programme economics course. It enables students to demonstrate the application of their knowledge of economic theory to real-world situations without the time constraints of written examinations. The production of a portfolio of four commentaries based on extracts from published news media has a number of further advantages.

- Examination questions need to be written about two years in advance, and therefore some immediacy is lost. The portfolio fills this gap.
- Compiling a portfolio is more closely related to the classroom activities of teachers than it is to the formal tasks set by examiners. It is a way of rewarding students' enthusiasm and achievements during the learning process.
- Because the portfolio does not add any content to the syllabus, it can be a natural part of classroom and homework activities. It can be used as a motivating factor, increasing the liveliness and relevance of economics classes.
- The portfolio enables students to follow up aspects of economics in which they are particularly interested. It enables them either to focus on international issues to broaden their understanding of the global impact of economics, or to focus on issues particularly relevant to their own country or region.

Requirements

The requirements for the portfolio are the same at higher level and standard level. Students produce a portfolio of four commentaries of 650–750 words each, based on published extracts from the news media. The extracts may be from a newspaper, a journal or the World Wide Web, but must not be from television or radio broadcasts.

Each commentary must:

- explain the linkages between the extract and an economic theory taken from the section of the syllabus on which the commentary is based
- demonstrate economic insights into the implications of the extract (that is, it should provide evidence of the student's ability to evaluate current events from the point of view of an economist).

Focus

Three out of the four commentaries must have as their main focus a different section of the syllabus, although it is acceptable for commentaries to make reference to other sections. The fourth commentary can focus either on a single section of the syllabus or can focus on two or more sections.

Selection of Extracts

Sources

The extracts on which each commentary is based must be drawn from **four** different sources.

Extracts must, as far as possible, be contemporaneous with the course. Teachers should encourage students to look for material relating to current events. This may include material published up to six months before the start of the course.

Individual work

Students must select their own articles to analyse. Students can base their commentaries on the same extract, but the extract must not be given to the class by the teacher, and the production of the commentary must be each student's individual work. A commentary must not be prepared collaboratively.

Language of extract

If possible, the extract on which the commentary is based should be in the working language of the school. If an extract in another language is used, the student must provide a translation, in the working language of the school, of the parts of the article referred to in the commentary.

Guidance

The requirements of the portfolio and the assessment criteria must be clearly explained to students at the start of the course and reinforced as the course progresses. The assessment criteria must be available to students at all times.

Discussion and support

It is a good idea to encourage students to discuss with the teacher the work they are doing for the portfolio, and to seek advice and information. Students must not be penalized for seeking guidance. However, if a student could not have completed the portfolio without substantial support from the teacher, this should be noted on the appropriate form in the *Vade Mecum*.

Practice

It may be helpful for teachers to guide students through a practice extract and commentary before the first commentary is written. After this initial practice all extracts must be chosen by the students themselves.

Advice

As part of the learning process, teachers can give advice to students on a first draft of each portfolio commentary. This advice can be either verbal or written and can indicate how the work could be improved. If the advice is written, the teacher must not extensively annotate or edit the student's draft. Students may rewrite their commentary in line with the teacher's suggestions but should not rewrite the work more than once. The second draft handed to the teacher must be the final one.

Integrating the portfolio into the course

Ideally, students will work on the portfolio throughout the course. Teachers are advised to set their own deadlines for the submission of the commentaries, with reminders at regular intervals. Students can write more than four commentaries and can submit the best four for inclusion in the portfolio. However, work for the portfolio must be a natural part of classroom learning activities and must not be an extra component added to the course.

Authenticity

The portfolio submitted for internal assessment must be the student's own individual work.

Teachers must ensure that the portfolio submitted is the student's own work. If there is any doubt, authenticity can first be checked by discussing the content of the work with the student. In addition, one or more of the following actions can be helpful:

- checking the references cited by the student
- using one of the many web sites set up to detect plagiarism
- comparing the style of writing in the commentaries with work known to be that of the student.

Record Keeping

On each commentary students must record:

- the title of the extract
- the source of the extract
- the date of the extract
- the word count of the commentary
- the date the commentary was written
- the section(s) of the syllabus to which the commentary relates.

Time Allocation

It is recommended that teachers allocate approximately 20 hours of class time for the portfolio at both higher level and standard level. This should include:

- time for the teacher to explain to students the requirements for the portfolio
- class time for students to work on their commentaries
- time for discussion between the teacher and the student
- time for the teacher to review progress and to check authenticity.

Assessment of the Portfolio

At the end of the course, the portfolio as a whole must be assessed against the internal assessment criteria.

Frequently Asked Questions: Writing the Portfolios

- **What type of stimulus material should be used as extracts for the commentaries?**

  The extracts may be from a newspaper, journal or the World Wide Web, but must not be from television or radio broadcasts.

  While the extracts may be in any form of media, the use of advertisements and cartoons does not lend itself well to fulfilling the assessment criteria, and so may be self-penalizing.

- **Which web sites are appropriate for extract selection?**

  News media web sites are the only appropriate sources. Sites such as BizEd, while valuable, do not provide unedited, original material.

- **How many areas of the syllabus have to be covered in the portfolio?**

  Three out of the four commentaries must have a different section of the syllabus as their main focus. However, it is acceptable for commentaries to make references to other sections.

- **What will happen if students complete fewer than four commentaries?**

  The student will lose all marks under criterion B and will be severely disadvantaged in the other criteria.

- **Do the students have to use four different sources?**

  Yes. Students must use a different source for each commentary. If they do not, students will lose three marks under criterion B.

- **What time period should the extract cover?**

  Extracts should be contemporaneous with the course, but they may include material collected up to six months prior to the start of the course.

  It is helpful to encourage students to collect extracts for their commentaries throughout the course. Students may then use these extracts at any time to write their commentaries. Students will not be penalized if the date they write a commentary is different from the date of the extract, that is, the date the extract was published does not have to match the date on which the student chooses to write the commentary (provided it is contemporaneous).

- **Who should choose the extracts?**

  Students must select their own extracts. Teachers should not give a single extract to a group of students. It may be that two or more students choose the same extract. If this is the case, teachers may permit this but should ensure that the commentaries are the work of the individual student and are not group work.

  Commentaries must not be based on any material used for class activities—that is, students must not consider class material eligible for their commentary.

- **How long should an extract be?**

  Extracts may be any length, but if they are excessively long students should highlight or underline the specific areas of the extract they have selected for discussion.

- **Can the extract be in any language?**

  The article or material used for the extract should be written in the working language of the school. Other languages may be used but the student **must** provide an exact translation of the entire article or material. If the article is excessively long, students must provide an exact translation of the relevant highlighted parts of the article referred to in the commentary.

- **When should work on the internal assessment commence?**

  Since only four commentaries are required, there is no urgency to start work on the internal assessment at the beginning of the course. Teachers can start the process once they feel that students have enough knowledge of economics to adequately address the extracts. It may be helpful for teachers to start this process using a practice extract and commentary. This will show the teacher whether the students are ready for the process. It will also give students an introduction to the process.

- **What information should the teacher provide at the start of the course?**

  The teacher should explain the requirements of the assessment criteria and the portfolio to highlight the required procedures. All students should have an individual copy of the assessment criteria. This helps when students are writing their commentaries and the criteria act as a guide to how marks will be allocated.

- **How much feedback can the teacher give?**

  Teachers should set internal deadlines for the submission of each commentary. In each case teachers may give advice on both the choice of extract and the commentary (written or oral) up to the date of the internal deadline. After this point commentaries must be collected and should not be available to students for any alterations.

- **How many commentaries may a student write?**

  In terms of best practice students may write one or two practice commentaries and then they should write the required four commentaries at regular intervals throughout the rest of the course. Teachers should not be part of the selection process if more than four commentaries are written.

  It is not in the best interests of students to write large numbers of commentaries as this will detract from their other course activities.

- **Whose responsibility is it to ensure that the work is that of the students?**

  This is the teacher's responsibility.

- **Is it essential that the commentaries are word processed?**

  It is not a requirement that the commentaries are word processed. However, tidy presentation and legibility are important qualities that are easier to achieve through word processing.

- **How important is it to meet the word limit requirements?**

  The word limit requirement is **exact**. Each commentary must be within 650–750 words. If any single commentary is outside of the word limit requirement then marks will be lost in criterion A. There is **no** flexibility either side of the limit.

- **What is included in the word count?**

  Everything except the coversheet is included in the word count.

- **Is it appropriate to use the first person in the commentary?**

  Schools will use a variety of approaches. Any style is acceptable.

- **What sort of information should the student record for the commentaries?**

  Students are required to record the following information on each commentary:

  - title of extract
  - source of extract
  - date of extract
  - word count of the commentary
  - date the commentary was written
  - sections of the syllabus to which the commentary relates.

  An appropriate example of a **commentary** coversheet is included in the "Resources" section of this teacher support material.

  It is also recommended that students complete a **portfolio** summary sheet, an example of which is found in the "Resources" section.

- **How does the student reference the source of the extract?**

  All that is required is the title, source and date of the extract.

- **How should students refer to any references included in the commentary?**

  Any materials referred to in the commentary must be clearly attributed within the commentary and included in the footnotes. Examples of how to reference can be found in the "Resources" section.

- **How specific do the references to sections in the syllabus have to be?**

  Students do not need to make very detailed references to sections in the syllabus. They can be very simple references, for example, "section 4" rather than "section 4.1.1".

- **How is the portfolio assessed?**

  Teachers should mark the portfolio as a whole against the internal assessment criteria. The commentaries should not be marked individually. The teacher-generated marks are then externally moderated. The teacher-generated marks must not be revealed to students as these marks may be changed as a result of external moderation (assessment).

- **Should every criterion be demonstrated in every commentary?**

  This must be the case if the very highest levels in criteria C, D and E are to be reached by the students.

- **What does it mean to say "effective use of diagrams" in criterion B level 4?**

  Any diagram used in a commentary should be explained and should be made relevant to the discussion. Whenever numerical data is provided in an extract, it should be incorporated into the diagram.

- **How much definition is required to reach level 4 in criterion C?**

  Good students will show thorough understanding of terms either by defining them or by using them accurately.

- **What does it mean to evaluate economic theories in the context of real-world examples in criterion E, compared to analysis in criterion D?**

  Evaluation implies a judgment of a theory and an application of the theory to a given situation, with an awareness that the theory may not provide an accurate description. Analysis implies application of the theory.

Frequently Asked Questions: IBO Procedures

- **What is the deadline for submitting marks?**

May examinations	10 April—IA/PG marks to IBCA
	20 April—samples to moderator
November examinations	10 October—IA/PG marks to IBCA
	20 October—samples to moderator

- **How are the marks submitted?**

  The internal assessment marks and predicted grades for each student must be sent to IBCA by your IB Diploma Programme coordinator using the IA/PG marksheet. This form is available on IBNET.

- **Which forms should be used to submit samples for moderation?**

  A sample with marks for each student should be selected and sent to the external moderator (internal assessment examiner). The size of the sample depends on the size of the class.

  The marks should be entered by hand using the following two forms from the *Vade Mecum*:

  - 3/CS—a coversheet for the coursework for each student (teacher's responsibility)
  - 3/IA—a summary sheet of the sample sent for moderation (IB Diploma Programme coordinator's responsibility).

- **Should the teacher make a copy of the students' portfolio?**

  Teachers are advised that either they or the students make a copy of each portfolio before it is sent for moderation as a contingency measure or for future reference. (After the process of moderation, the coursework is kept for several months by the moderator and then destroyed).

- **Is it possible to receive guidance on internal assessment during the course?**

  Discussion and guidance from colleagues is available from the online curriculum centre (http://www.online.ibo.org). Particular administrative issues may, however, be addressed to IBCA via your Diploma Programme coordinator.

- **Does the teacher receive any feedback on the portfolio undertaken by the school?**

  The moderator will write a report on the portfolio submitted by each school. This will provide comments on the suitability and quality of the work. It will also give recommendations to the school for future work and address any problems that may have arisen. It is important that teachers follow the recommendations made in previous reports. It is also useful for teachers to read the chief examiner's report for economics, which gives an overview of student performance in the internal assessment component undertaken by all schools. Teachers will also find that attending relevant workshops is very useful.

- **What do I do if I suspect that a student's work is not his or her own?**

  If you have reasonable evidence that this is the case, make the student rewrite his or her commentary. If time does not permit this, do not sign form 3/CS and submit the reasons for your suspicion.

Internal Assessment Criteria

There are five internal assessment criteria that teachers should use when assessing the portfolios (for both HL and SL). Advice on using these criteria is given on pages 35 to 37 of the *Economics* guide.

At the end of the course, the portfolio as a whole must be assessed against the internal assessment criteria. Marks should not be given for each commentary individually as the portfolio is marked holistically. It is often the case that the later commentaries written by students are more sophisticated and some of the higher order skills may not be revealed in the earlier commentaries. This is to be expected. The overall holistic judgment allows for this progression.

The higher level and standard level internal assessment criteria are as follows.

Criterion A	Rubric requirements	**2 marks**
Criterion B	Organization and presentation	**4 marks**
Criterion C	Use of economic terminology	**5 marks**
Criterion D	Application and analysis of economic concepts and theories	**5 marks**
Criterion E	Evaluation	**4 marks**
	Total	**20 marks**

A Rubric Requirements

This criterion assesses the word limits and syllabus coverage of the portfolio.

Achievement level	
0	Level 1 is not achieved.
1	Each commentary meets the word limit requirement, **or** the portfolio covers at least three different sections of the syllabus.
2	Each commentary meets the word limit requirement, **and** the portfolio covers at least three different sections of the syllabus.

B Organization and Presentation

This criterion assesses the range of sources used for the extracts, the organization and presentation of the portfolio, and the use of diagrams in the portfolio.

Achievement level	
0	Level 1 is not achieved.
1	The extracts are chosen from four different sources, **or** the portfolio is well organized and presented.
2	The extracts are chosen from four different sources, **and** the portfolio is well organized and presented.
3	The extracts are chosen from four different sources, **and** the portfolio is well organized and presented. The student includes appropriate diagrams in the portfolio.
4	The extracts are chosen from four different sources, **and** the portfolio is well organized and presented. The student makes effective use of diagrams in the portfolio.

C Use of Economic Terminology

This criterion assesses the student's ability to use and to define economic terminology.

Achievement level	
0	Level 1 is not achieved.
1	The commentaries in the portfolio demonstrate minimal use of appropriate economic terminology and there are no attempts to define terms.
2	The commentaries in the portfolio demonstrate minimal use of appropriate economic terminology and there are only limited attempts to define terms.
3	The commentaries in the portfolio demonstrate appropriate use of economic terminology. However, terms are not always defined, or they are incorrectly defined.
4	The commentaries in the portfolio demonstrate appropriate use of economic terminology. Terms requiring definitions are correctly defined.
5	The commentaries in the portfolio consistently demonstrate appropriate use of economic terminology. Terms requiring definitions are correctly defined.

D Application and Analysis of Economic Concepts and Theories

This criterion assesses the student's ability to apply and analyse the economic theories and concepts that have been identified from the extracts.

Achievement level

0	Level 1 is not achieved.
1	Little application or analysis of relevant concepts and theories has been attempted.
2	The application or analysis of relevant concepts and theories has been attempted, but the linkages to the extracts are rarely appropriate.
3	Relevant concepts and theories have been identified, but have been applied to the extracts in a superficial way.
4	Relevant concepts and theories have been identified and suitably applied or analysed in some of the commentaries.
5	Relevant concepts and theories have been identified and have been applied or analysed well in all commentaries.

E Evaluation

This criterion assesses the student's ability to evaluate economic concepts and theories in the context of real-world examples.

Achievement level

0	Level 1 is not achieved.
1	In the commentaries, the student attempts to evaluate the economic theories and concepts applied to the extracts, but the evaluation is inappropriate.
2	In the commentaries, the student attempts to evaluate the economic theories and concepts applied to the extracts, but the evaluation is limited.
3	In the commentaries, the student demonstrates evaluation of the economic theories and concepts applied to the extracts, but this evaluation is not presented in all the commentaries.
4	In the commentaries, the student demonstrates evaluation of the economic theories and concepts applied to the extracts consistently throughout the portfolio.

Portfolio Samples

There are two portfolios presented here. The first portfolio was awarded a grade 7, and the second portfolio was awarded a grade 5.

The samples provided here are actual student work and are presented in their original styles. These may include spelling, grammatical and any other errors. The work was not written over the period of a normal course but it was felt that these reflect typical pieces of work. For this reason it was not possible to complete a date for the time at which the commentary was written. The dates are entered as dd/mm/yy (date/month/year) on the coversheets. Normally it would be a requirement to provide this date accurately.

Also, to enable these student samples to be published, the extracts have been retyped. The normal requirement is for students to submit the extracts in their original form, unless they are providing a translation of a long article.

PORTFOLIO A

Higher Level and Standard Level Economics: Internal Assessment Portfolio Coversheet

Name of candidate: Anonymous Candidate Number: 0000 000

Date	Title of Article	Source of Article	Date of Article	Section of syllabus linked to commentary	Word count
dd/mm/yy	Venezuela's strike boosts oil prices	The Straits Times	07/12/02	2	675
dd/mm/yy	Top Japanese council 'plans tax cuts of $4b'	Reuters	29/04/02	2 and 3	747
dd/mm/yy	Markets fall out of love with Cinderella currency	Financial Times	16/03/03	4	749
dd/mm/yy	Oxfam takes on the coffee kings	The Guardian	18/09/02	4 and 5	749

COMMENTARY COVERSHEET

Economics commentary number:_______**HL Number 1**___________________________

Title of extract:_____**Venezuela's strike boosts oil prices**_________________________

Source of extract:______**The Straits Times**_____________________________________

Date of extract: _________**07/12/02**____

Word count:________**675**____________words

Date the commentary was written:___**dd/mm/yy**__________________________________

Sections of the syllabus to which the commentary relates:__**Sections 2.1, 2.2**___________

Candidate name:___________**Anonymous**______________________________________

Candidate number:______**0000 000**___________

Commentary Number 1 Extract

Venezuela's strike boosts oil prices

Opposition-led action against President Hugo Chavez deals a huge blow to refining and shipping activities in the country

Oil prices climbed yesterday as Venezuela prepared to notify some customers that it would not be able to meet commitments for crude and refined product deliveries due to a four-day general strike against President Hugo Chavez.

US light crude CLc1 traded 12 US cents higher at US$27.41 a barrel, extending Thursday's 58-US cent gain, as the opposition-led strike in Venezuela cut into refining and shipping operations and snowstorms in the United States boosted demand for heating fuel.

Apart from disruptions to oil supplies – Venezuela supplies about 13 per cent of the US' daily oil imports – analysts said the longer-term potential impact if Mr Chavez was forced to step down was also playing on traders' minds.

"Venezuela is worrying. If Chavez buckles and is overthrown, whoever comes in afterwards is likely to raise crude output," said commodities strategist David Thurtell of Commonwealth Bank in Sydney.

A board member at state oil firm Petroleos de Venezuela said on Thursday that the company was preparing to send out *force majeure* notices to clients yesterday, meaning it would not be able to meet orders due to reasons beyond its control.

The strike has severely disrupted refining and shipping operations in the world's fifth-biggest oil exporter and the country's daily crude production of three million barrels was expected to begin declining in the next day or so.

Mr Thurtell said the market would also be looking out for comments from Iraq or the US, with tomorrow's deadline looming for Baghdad to submit a detailed report of its weapons programmes.

Iraqi president Saddam Hussein said on Thursday he was ready to give United Nations arms inspectors a chance to disprove US allegations that it has stockpiled weapons of mass destruction.

Washington, which has threatened to go to war unless Iraq can prove it has renounced biological, chemical and nuclear weapons programmes, insists it has intelligence backing its contention.

The weapons deadline comes four days ahead of the Organisation of Petroleum Exporting Countries' ministerial meeting in Vienna next Thursday to review oil market conditions and production policy.

A Reuters survey on Thursday found the cartel continued to pump far in excess of official production limits last month, with the surplus above quota topping three million barrels for a second month in a row.

Oil supply from the 10 members bound by supply-quotas, excluding sanctions-hit Iraq, was 24.88 million barrels per day versus the official ceiling of 21.7 million.

Commentary Number 1

Price elasticity of supply (PES) is the responsiveness of quantity supplied to the changes in the price given. Two major factors that affect the PES of a good are time and availability of producer substitutes. Time influences PES of a good, as the shorter the time period, the more firms are faced with difficulties in controlling the production of the good. For example, assuming surfing suddenly becomes "in thing" which implies demand for surfboards would relatively rise, the shorter the time period the harder the firms will find to expand the production of surfboards. As a result the quantity supplied becomes insensitive to a price change, which is to say the PES of surfboards is inelastic. In the longer term, new firms come into the market, and the existing firms manage to expand production to an adequate level, which consequently makes the PES of surfboards elastic. Availability of producer substitutes (goods that a producer can easily produce as alternatives) also affects the PES of a good. If a product has many substitutes then producers can quickly and easily alter the pattern of production regarding to the price changes. The theory also applies for when a product has fewer or no substitute available. If a good has no producer substitute, the producer has to carry on producing at the same price or withdraws from the market when a price changes, since he would find it difficult to respond flexibly to the variation of prices. In this case, PES of such a good is very inelastic.

The price elasticities of both demand and supply of oil, in this case, tend to be very inelastic. Firstly, there isn't any consumer/producer substitute available for the production of oil. Producers and consumers would find it hard to switch to any alternative, due to the large use of oil in many different industries. Furthermore, the price affecting factors such as the snowstorms and the strike are influencing the oil industry in the short run, which contributes to the PES of the oil being inelastic. The US demands heating fuels instantly after the snowstorms regardless of its price, as it is a necessity during the cold weather. Necessities are generally bought at whatever price, as they tend to have very inelastic price elasticity of demand. Therefore an immediate increase in the oil price would barely reduce the quantity demanded, due to its low elasticity.

The price rise is mainly because of disturbance by the strike in refining and shipping operation, and of snowstorms in the United States. As seen in Fig.2, the strike has shifted the supply curve to the left reducing the general supply level, because of disruption to the oil suppliers. The snowstorms in the US contributed to a sharp increase in the demand for heating fuel, which lead the demand curve to shift to its right.

As a result of these changes, the equilibrium price has gone up from p1 to p2, and the quantity supplied has decreased from ql to q2; meaning that less of the product is being bought at a higher price. However, these on-going changes are only in the short run, therefore after a certain period of time, for example in this case, after the impact of the snowstorms fade away and the strike is over, the curves will eventually find a new equilibrium.

At the moment, because of the present political situation, the market is very cautious. The oil prices could fluctuate at anytime. If the US should declare war on Iraq, there would be procurement demand for oil, which could boost up the price of oil extremely higher than its usual level because more oil is being demanded and the PES of oil is very inelastic due to the short time period. The current situation, where Venezuela might increase its crude oil output and the cartel is continuing to supply above the official production limit whilst the demand for the oil escalates, could depreciate the price of oil, and such overproduction is alarming as it could also lead to depletion of the resource itself.

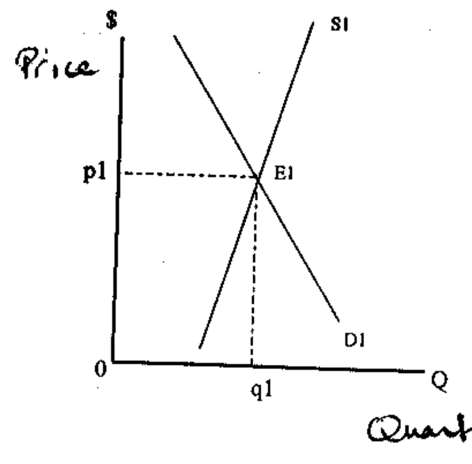


Fig.1

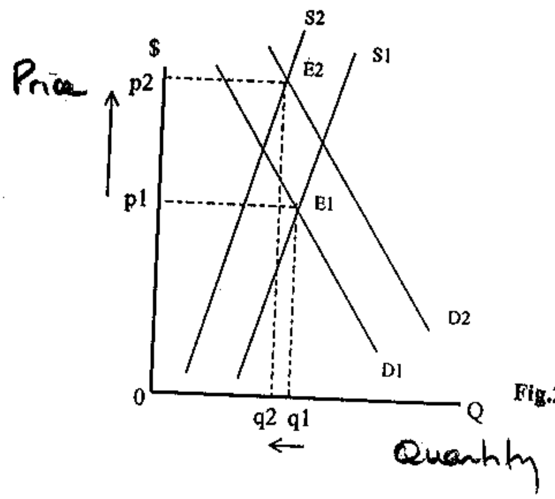


Fig.2

COMMENTARY COVERSHEET

Economics commentary number:_______**HL Number 2**___________________________

Title of extract:_____**Top Japanese council ‘plans tax cuts of $4b’**_________________

Source of extract:______**Reuters**____

Date of extract:___**29/04/02**____

Word count:________**747**____________words

Date the commentary was written:___**dd/mm/yy**________________________________

Sections of the syllabus to which the commentary relates:___**Sections 2.2, 3.2, 3.3**_____

Candidate name:___________**Anonymous**____________________________________

Candidate number:______**0000 000**___________

Commentary Number 2 Extract

APRIL 29, 2002

Top Japanese council 'plans tax cuts of $4b'

But Takenaka dismisses figures cited in newspaper report, saying the June revival plan has yet to be finalised

TOKYO - Japanese Prime Minister Junichiro Koizumi's top economic council is planning to include tax cuts worth 200 to 300 billion yen (S$2.83 billion to S$4.24 billion) in its economic revival plan to be finalised in June, the Asahi Shimbun reported yesterday.

Economics Minister Heizo Takenaka, the spokesman for Mr Koizumi's Council on Economic and Fiscal Policy, denied that the council had made such a decision, although he had indicated earlier that tax cuts would help pull the economy out of an 18-month-long recession.

The council is working to finalise by June its economic revival plan, the main pillars of which are the revitalisation of domestic industries, tax reforms, promotion of structural reforms as well as the tackling of deflation and banks' bad loans.

But there has been no decision on specific figures for possible tax cuts or whether such tax cuts will be implemented in the current fiscal year that started on April 1.

The Asahi newspaper said the proposed tax cuts would include tax relief to promote investment related to research and development by firms seeking to boost their international competitiveness and tax relief steps related to purchases of houses.

Tax relief to promote structural reforms in regional areas may also be considered, it said.

It added that the council would aim to implement such tax cuts during the current fiscal year and that the total amount of those tax cuts would be around 200 billion yen to 300 billion yen.

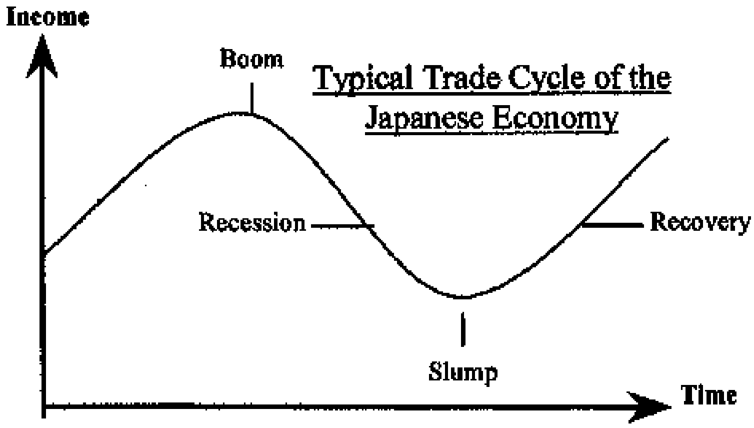
Asked if the Asahi Shimbun article was correct, Mr Takenaka said that he wanted to ease the tax burden on firms that spend money on investment and research, but added that debate was needed on how to achieve that, including whether to cut taxes on corporate capital spending or lower corporate taxes.

Mr Koizumi will unveil the tax-cut measures at June's Group of Eight Summit in Kananaskis, Alberta in Canada - a gathering of leaders of the world's richest nations - the Asahi newspaper said.

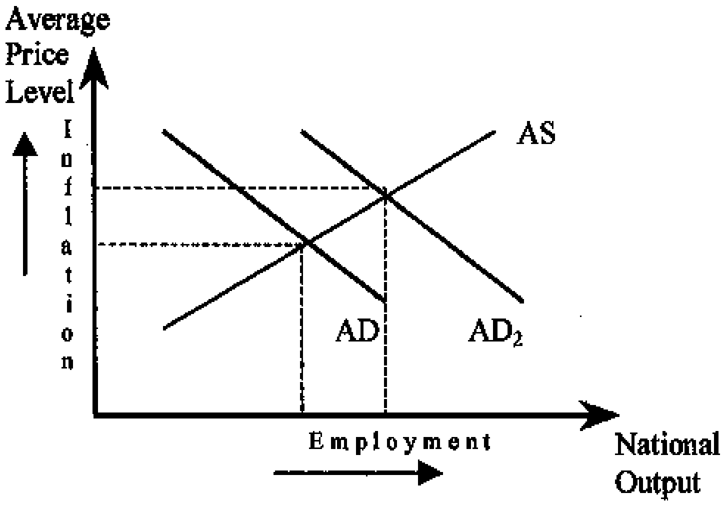
--Reuters

Commentary Number 2

Japan's *'top economic council is planning tax cuts worth 200 to 300 billion yen, to help pull the economy out of* an *18-month long recession*[i]*.'* This is known as Fiscal Policy, and it could *'promote investment'* and encourage *'purchases of homes,'* as it would give the Japanese consumer more disposable income, perhaps increasing aggregate demand[ii].



Extra investment would be an injection into the circular flow. If firms manage *'to boost their international competitiveness,'* through *'investment related to research and development,'* Japanese exports could increase, which would mean another injection into the circular flow. These injections, coupled by a decrease in taxation (a form of withdrawal), could lead to economic growth as the economy expands due to the multiplier effect.[iii]

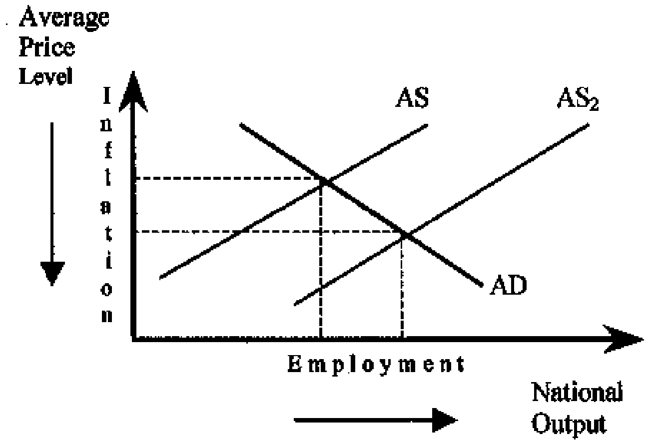


On the aggregate demand and supply diagram, the vertical axis actually measures inflation and the horizontal axis is a measure of national output. If the aggregate demand curve were to shift AD→AD_2 right, output (and employment) would increase.

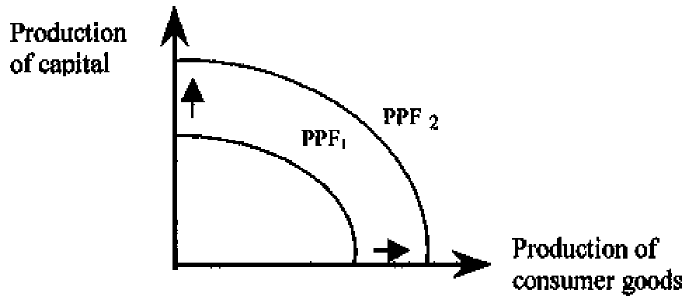
Lower taxes would encourage saving, which provides a source of financial capital for firms to borrow from. The council specifically mentions cutting taxes '*on corporate capital spending'* to *'ease the burden on firms that spend money on investment and research.'* Also, by lowering *'corporate taxes,'* firms could be prompted to produce more, as they would be getting a bigger share of the revenue generated by receipts.

This policy, however, has several potential weaknesses. In theory it is an 'inflationary policy;' there is an inherent 'trade-off' between growth and inflation. However, Japan is currently facing deflation, and with interest rates hovering at around 0% inflation is definitely not a concern. Japan's dull economic climate, though, could truncate the effectiveness of such a policy, because the marginal propensity to consume[iv] would be fairly low, given the high unemployment and poor confidence (or 'animal spirits') in the economy. Instead, extra income is likely to be saved rather than invested, and thus the multiplier effect could be insufficient. According to Keynesian theory, the Balanced Budget Multiplier could perhaps be more effective. If the government were to tax the citizens and then inject the tax back into the circular flow (by increasing government expenditure), the multiplier effect would be larger by the initial amount of the tax. If the majority of the tax were paid through savings (and the Japanese are saving a lot), then national income could increase by a greater amount. However, such actions could further tighten the wallets of a weary and frugal people.

Tax relief could also bring about supply-side incentives: lowering corporate taxes could encourage increased production. Additionally, *'research and development'* could bring about improved productivity, as they would make production more efficient, and this in turn could lead to an increase in aggregate supply[v].

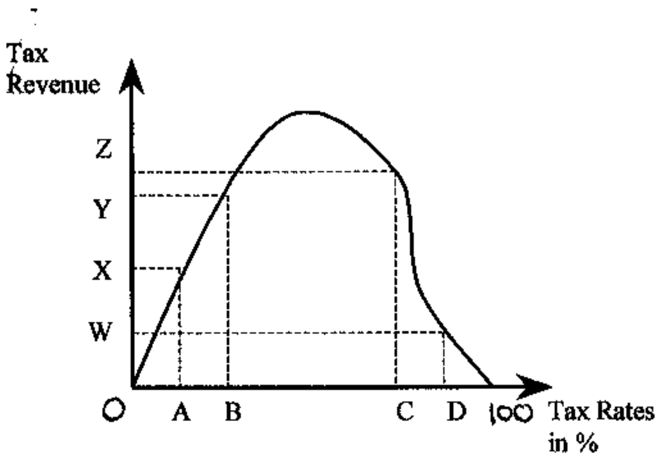


The proposed tax cuts could push aggregate supply out ($AS \rightarrow AS_2$) increasing national income and perhaps helping Japan out of recession.



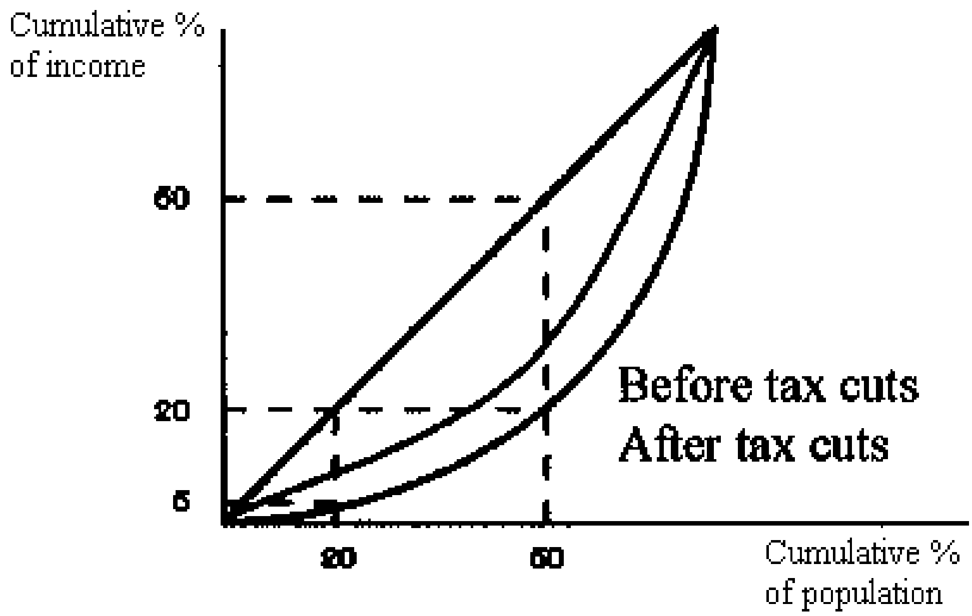
Additionally, investment on capital will increase Japan's productive capacity, expanding the production possibility frontier, and shifting the long-run Aggregate Supply curve out.

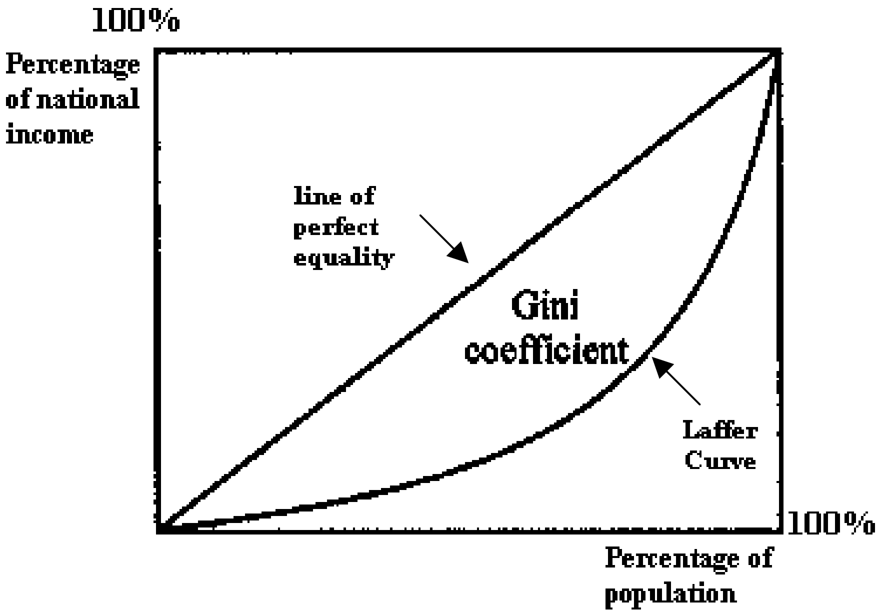
However, lowering *'corporate taxes'* may not be as beneficial as the council hopes. Firms could simply pass on higher profits to their shareholders, instead of using the extra funds for investment. The policy could even backfire, with firms reducing production and maintaining their current level of profits (profit-satisficing). Consider the Laffer Curve below.



At a tax rate of D, a decrease in taxes to C will cause revenue to go up from W to Z as there is greater incentive to produce. If the tax rate is at C however, a decrease in taxes to B will bring about a fall in revenue from Z to Y, as firms may choose instead to grant workers more leisure time and keep unions happy or 'profit-satisfice'.

The tax relief plan could also lead to increased inequality. There will be less tax to redistribute income, while the richer classes, who tend to own the majority of resources in the industry, will benefit from lower corporate taxes as their profits increase. Also, the government will lose tax revenue, and this may hinder its ability to provide education, healthcare etc. for the poor.





As the distribution of income becomes more unequal, the value of the Gini coefficient increases. In the most unequal distribution, the Gini value is 1.

In conclusion, the proposed tax relief plan could be an effective method to help Japan recover from the recession. Detailed analysis, however, highlights several potential weaknesses of the policy, as it may not be enough to revitalize Japan's economy. It may even backfire, prompting consumers to save more or work less, as illustrated by the Laffer Curve. The tax cuts are not as favourable to the poor classes, who they tend to own disproportionately less of the factors of production (Land, Labour, Capital, Skilled Management). Tax cuts would likely increase income inequality, and a loss in tax revenue would force the government to decrease spending in other areas. Japanese P.M Junichiro Koizumi is having a tumultuous time in office, and perhaps these tax cuts are a form of 'politicisation' to the elite classes, who have more political influence. In the end, though, tax relief will not be enough; Japan needs to bring about the *'revitalisation of domestic industries, structural reforms and the tackling of bad loans,'* as the council acknowledges.

[i] Recession can be defined as two consecutive quarters of negative growth.
[ii] Aggregate Demand is the total expenditure of goods and service on economy in one year. AD = C+I+G+(X-M), where C = consumer expenditure, I= investment expenditure, G = government expenditure and (X-M) = net exports (exports-imports)
[iii] The 'multiplier' is a function in the circular flow of income, which serves to multiply the effect of any injections or withdrawals according to the level of the mpc (see below).
[iv] The MPC measure the proportion of additional income that is spent on households.
[v] Aggregate Supply can be defined as the total level of output in the whole economy at any given level of average prices.

COMMENTARY COVERSHEET

Economics commentary number:_______**HL Number 3**___________________________

Title of extract:_____**Markets fall out of love with Cinderella currency**______________

Source of extract:______**Financial Times**_______________________________________

Date of extract:___**Weekend 15–16/03/03**_______________________________________

Word count:________**749**____________words

Date the commentary was written:___**dd/mm/yy**_________________________________

Sections of the syllabus to which the commentary relates:__**Sections 4.6 and 4.7**_______

Candidate name:___________**Anonymous**_____________________________________

Candidate number:______**0000 000**___________

Commentary Number 3 Extract

Markets fall out of love with the Cinderella currency

It seems like only yesterday that sterling was being described as the Cinderella of the currency market.

The currency appeared to have everything a red-blooded trader could desire: robust economic growth, attractive interest rates and a healthy fiscal position. By comparison with the economic problems confronting the US, eurozone and Japan, Britain's overvalued housing market seemed a minor blemish.

Now everything has changed. Since the start of the year the pound has fallen more than 5 per cent against the euro. Sir Edward George, the governor of the Bank of England, has said that an overvalued pound is no longer an obstacle to eurozone membership.

This sudden reversal of fortunes is partly a side effect of the appreciating euro. The pound has long behaved like a small child, pushed around by two school yard bullies – the dollar and the euro. As the dollar slides against the euro, the pound automatically loses ground against the euro –splitting the differences between the two larger currencies.

But it seems there is more going on with the pound than dollar weakness. The most dramatic shift has been in economic expectations for the UK. In 2001 the UK had the fastest-growing economy in the group of seven leading industrial nations. Strong consumer spending was insulating the UK from the chill winds blowing through the international economy.

One result was high relative interest rates. Between November 2001 and February 2003, the Bank of England base rate held at 4 per cent – during which time the Federal Reserve cut from 2 to 1.25 per cent.

Sterling joined the ranks of the high-yielding currencies along with the Norwegian krone, Australian and New Zealand dollars. Until February's surprise 25 basis point cut, it had been assumed that soaring house prices coupled with strong consumer demand would prevent the Bank of England from easing monetary policy.

Britain's economic prospects now look distinctly less rosy. Having priced in a rise in rates to 4.5 per cent six months ago, interest rate futures markets are now expecting the base rate to fall to 3.25 per cent. The purchasing managers' index has been below the 50 break even point for several months, while the once vibrant service sector is virtually stagnant. There are also fears that tax increases in the UK – including a rise in employee national insurance contributions – are coming as consumer spending is slowing.

Investors continue to fret about Britain's overvalued housing market. Much of the economy's strong performance has been based on the accumulation of consumer debt, backed by appreciating house prices.

A slowing of house price inflation is expected to put a brake on consumer spending.

Even a modest fall in house prices may encourage people to rebuild their savings to the detriment of consumer spending.

In addition, sterling is falling victim to the market's aversion to large current account deficits. The monthly current account deficit in the UK jumped from \$1.5bn in September to \$2.9bn in November. This would not be such a problem if Britain still offered a large interest rate premium, like Australia or New Zealand. Now funding this shortfall is not so easy.

The final nail in the coffin for the pound has been politics. The mounting rebellion in the ruling Labour party over the prime minister's tough stance on Iraq appears to be undermining sterling. There is a sense in the markets that any political fall-out from the conflict with Iraq will be in the UK.

Until recently, the UK had been seen as a model of political stability – a situation conducive to currency strength. With the Conservative party trailing in the opinion polls and Mr Blair enjoying a commanding position in the party, financial markets expected a long period of continuity in British politics. This assumption is now being questioned.

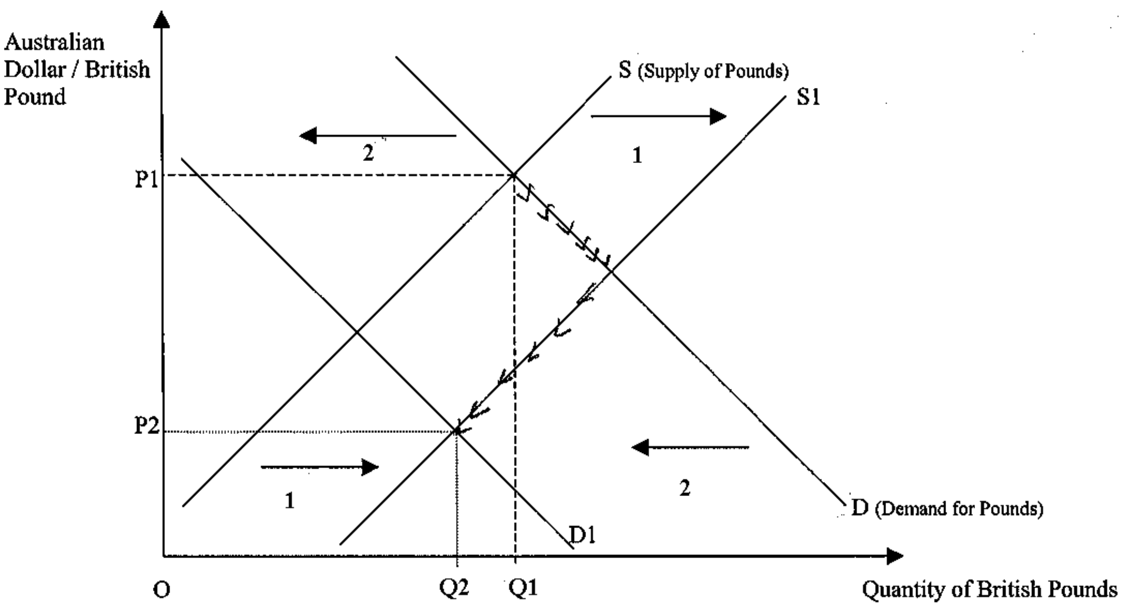
Given this catalogue of doubts, it looks unlikely that sterling will make a swift recovery. Even if investors can be reassured over their doubts over the British economy, the pound looks likely to be dragged lower by the falling dollar and the era of the over-mighty pound may be coming to an end.

Commentary Number 3

Markets fall out of love with the Cinderella currency

Until recently, "robust economic growth, attractive interest rates and a healthy fiscal position" strengthened Britain's currency, the Sterling pound. However, "since the start of the year", the pound has depreciated[1], against other currencies such as the Euro. The reasons for this are the expected reduction in interest rates by the Bank of England, the depreciation of the American dollar, the increase in Britain's current account deficit and the political instability caused by the uncertainty from the conflict with Iraq.

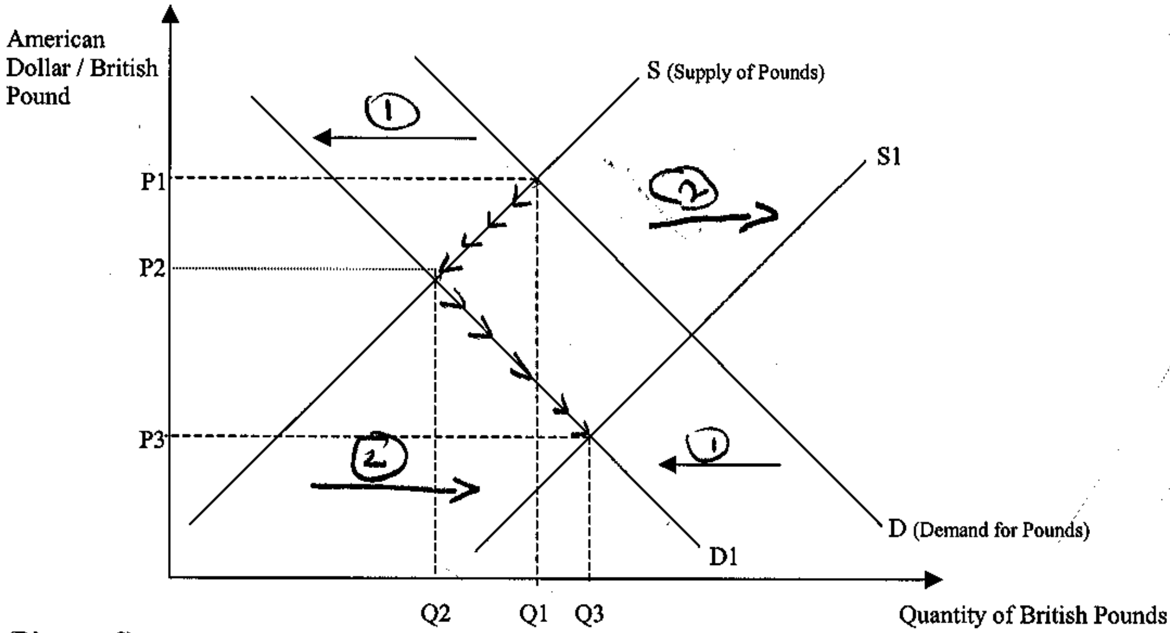
A reduction in interest rates from 4% "to 3.25 per cent" is expected as consumer demand, a component of the total demand in the economy, weakens due to a rise in saving and expected increases in taxes. While the use of monetary policy may revive waning consumer demand, it may also lead to the pound's depreciation. This is because British residents and foreigners may choose to deposit their money in countries like Australia with relatively higher interest rates as they will earn a higher return on their savings there. This will increase the supply of the pound in international foreign exchange markets from S to Sl while decreasing demand for the pound from D to Dl (See diagram 1). The price of the pound in Australian dollars and other currencies would fall from PI to P2, leading to its depreciation.



(Diagram 1)

Secondly, "economic problems confronting" America have depreciated the American Dollar, making British exports to American markets more expensive. Thus, a fall in demand for British exports would decrease quantity demand for the British pound from Ql to Q2 and the price of the pound in American dollars falls from PI to P2 (See diagram 2 in next page).

[1] A fall in the free market exchange rate of the pound against foreign currencies.



(Diagram 2)

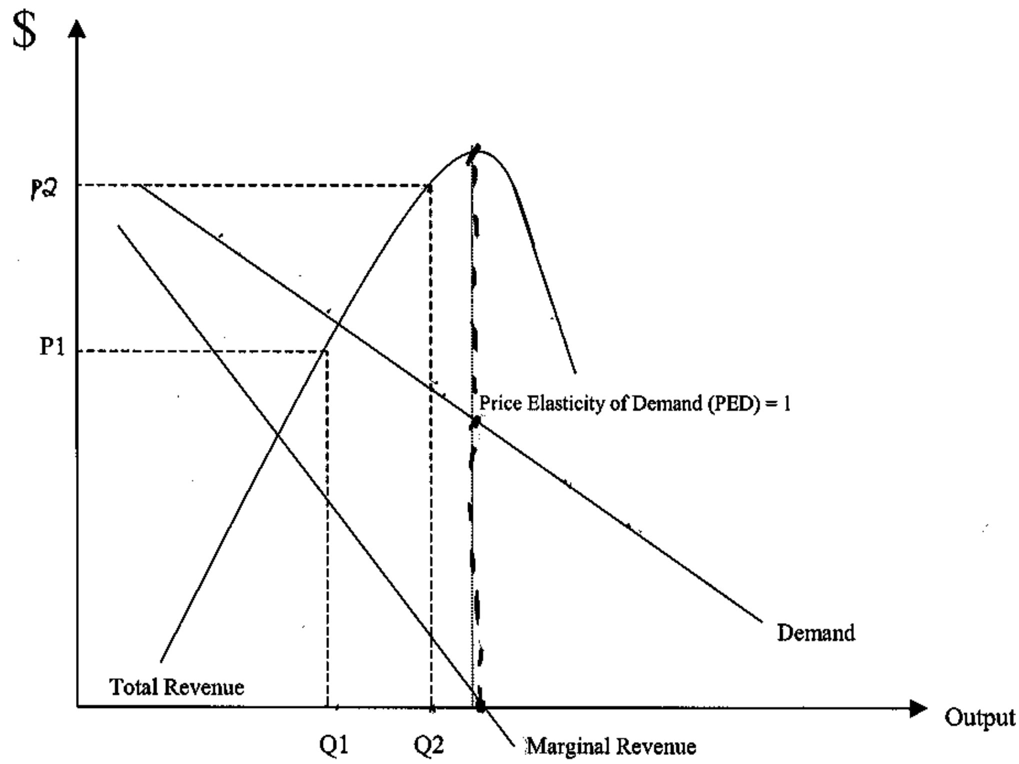
Britain's ballooning current account deficit[2] may have also contributed to the depreciation of the pound. A probable increase in consumer expenditure on imports would have likely created and expanded the current account deficit. Thus, the supply of the pound in international foreign exchange markets will rise as the pound is exchanged for the currencies of the countries that Britain secures its imports from. Hence, an increase in the supply of the pound from Ql to Q3 (See diagram 2), would lead to its depreciation against other currencies. In this case, the price of the pound in American dollars falls from P1 to P3 (See diagram 2).

Finally, the uncertain political future of the ruling Conservative Party due to the possible conflict with Iraq has reduced the confidence that investors and speculators have on the British economy. Hence, speculators may choose to sell the pound thereby increasing its supply, while buyers may wait for the pound to fall, reducing demand for it and leading to its depreciation.

A positive ramification that could accompany the depreciation of the pound is the reduction in Britain's current account deficit. A weaker pound would increase the price of imports and reduce demand for them. Furthermore, British exports, which would tend to have a high price elasticity of demand[3], will become more competitive. Thus an increase in demand of British exports from Q1 to Q2 would increase the total revenue Britain earns from its exports from P1 to P2 (See diagram 3). Hence, a fall in Britain's debits and an increase in its credits would improve the country's current account balance, a macro-economic objective.

Secondly, the expected reduction in interest rates and a rise in the prices of imports may boost consumer demand for domestic goods and services. This could increase domestic employment and avert a recession[4].

[2] The current account records imports and exports of goods and services, interest, profits and dividends flowing into or out of the country and transfers of money like grants.
[3] The Price elasticity of demand measures the responsiveness of demand due to a change in price.
[4] A recession is 2 quarters of negative economic growth.



(Diagram 3)

However, Britain's economic prospects are likely to "look distinctly less rosy", in the short-term. "Chill winds blowing through the international economy" may not significantly increase demand for British exports while import expenditure would rise as importers take time to realise the change in import prices. Subsequently, the British economy is likely to experience a greater current account deficit before its current account balance improves.

Furthermore, the lack of confidence in the pound and a reduction in interest rates may channel away long-term capital investment and short-term deposits to other countries such as New-Zealand. This may lead to a deficit in Britain's capital account[5] and make funding a large current account deficit more difficult.

Therefore, while the depreciation of the pound is expected to hurt the British economy, such difficulties may only persist in the short-term and economic prospects for Britain are likely to improve with the depreciation of the pound.

[5] Records investment and other financial flows into and out of the country.

COMMENTARY COVERSHEET

Economics commentary number:_______**HL Number 4**_____________________________

Title of extract:_____**Oxfam takes on the coffee kings**______________________________

Source of extract:______**The Guardian**____

Date of extract:___**18/09/02**____

Word count:________**749**____________words

Date the commentary was written:___**dd/mm/yy**____________________________________

Sections of the syllabus to which the commentary relates:___**Sections 4 and 5**____________

Candidate name:___________**Anonymous**____

Candidate number:______**0000 000**___________

Commentary Number 4 Extract

Oxfam takes on the coffee kings

Neena Dhaun Wednesday September 18, 2002 The Guardian

British charity Oxfam today launched a "coffee rescue plan" urging political and business leaders to destroy surplus stocks and guarantee a fair price for farmers.

The campaign comes a week before the International Coffee Organisation (ICO) is due to meet and discuss ways to solve the crisis.

Oxfam, with the public backing of celebrities like actor Colin Firth and Coldplay singer Chris Martin, have asked big coffee firms to steer more of their huge profits towards farmers, who it says receive only 1% of the price paid for a cup of coffee in London.

Oxfam also pointed the finger at the World Bank and the International Monetary Fund, blaming them for encouraging export-led growth in commodity countries, but ignoring the impact on the poor.

The charity says it wants to highlight the plight of more than 25 million coffee farmers around the world who face economic ruin after the collapse in the price for coffee.

A report produced by the charity says the price of coffee beans has fallen almost 50% in the past three years and now stands at a 30-year low. Farmers in developing countries, mostly poor smallholders, are forced to sell their crop for less than the cost of production.

The report adds that the big four coffee companies - Kraft, Nestle, Procter & Gamble and Sara Lee - together buy almost half of the coffee beans produced around the world each year.

However, Oxfam calculates, an average of just 5% of the shop price of instant coffee reaches the farmer. It wants coffee companies - or roasters as they are known - to pay farmers enough to send their children to school, afford medicines and buy sufficient food.

Part of the current problem is that around 8% more coffee is being produced than is consumed, which further adds to the buying power of big companies. The action plan suggests the destruction of at least 5 million bags of coffee stock, with companies trading only in quality beans, and an increase in the amount of coffee bought under Fair Trade conditions.

Adrian Lovett, Oxfam’s campaign director, accused the big coffee roasters of turning a blind eye to the problems in their industry. "They know there is terrible human suffering at the heart of their business and yet they do virtually nothing to help."

Nestle, who Oxfam says makes an estimated 26% profit on its Nescafe and Gold Blend coffee brands, said in a statement: "Nestle’s most direct way to help the farmers is to increase demand for coffee. For many years Nestle has had a positive effect on coffee consumption. Over the past decade, total coffee consumption increased by 17%."

Procter & Gamble in the UK said it could not comment as the company’s two coffee brands - Folgers and Millstone - are not sold in this country. Joost Den Haan, spokesman for Sara Lee which makes Douwe Egberts, said: "We do not support any form of price guarantee or subsidy to coffee farmers. This is a very short-sighted solution which is no more than an incentive to over produce."

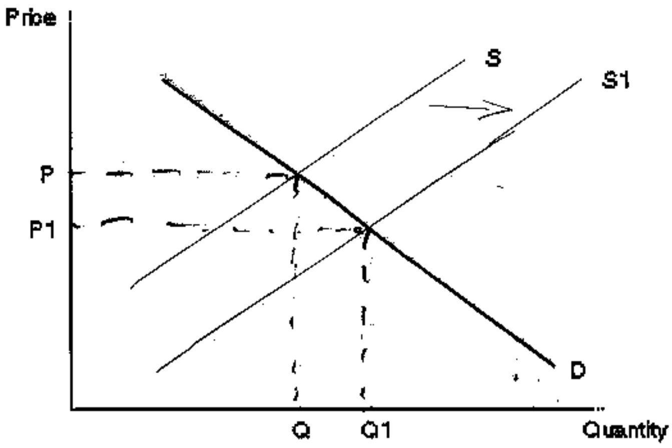
He said the company supported concentration on quality coffee to maximise how much farmers earn and added that it currently buys 10% of its coffee direct from small producers.

Kraft, which produces Maxwell House and Carte Noire, said in a statement: ‘We know that meeting the needs of our consumers is not something we can do alone. We are currently working to develop ways to address issues that affect our coffee business."

Commentary Number 4

A critical aspect of development economics is the terms of trade. Individual countries earn foreign currency from selling their exports abroad and spend this money on imports. For instance, if a country like Burundi exports coffee and imports machinery, and a supply-side shock like unusually good harvesting conditions causes a massive increase in the coffee supply and thus a fall in coffee prices (Diagram One), Burundi must export more coffee (which, due to the labour-intensity of farming methods could lead to a decrease in unemployment) in order to finance its imports. Burundi's terms of trade have thus become more adverse.

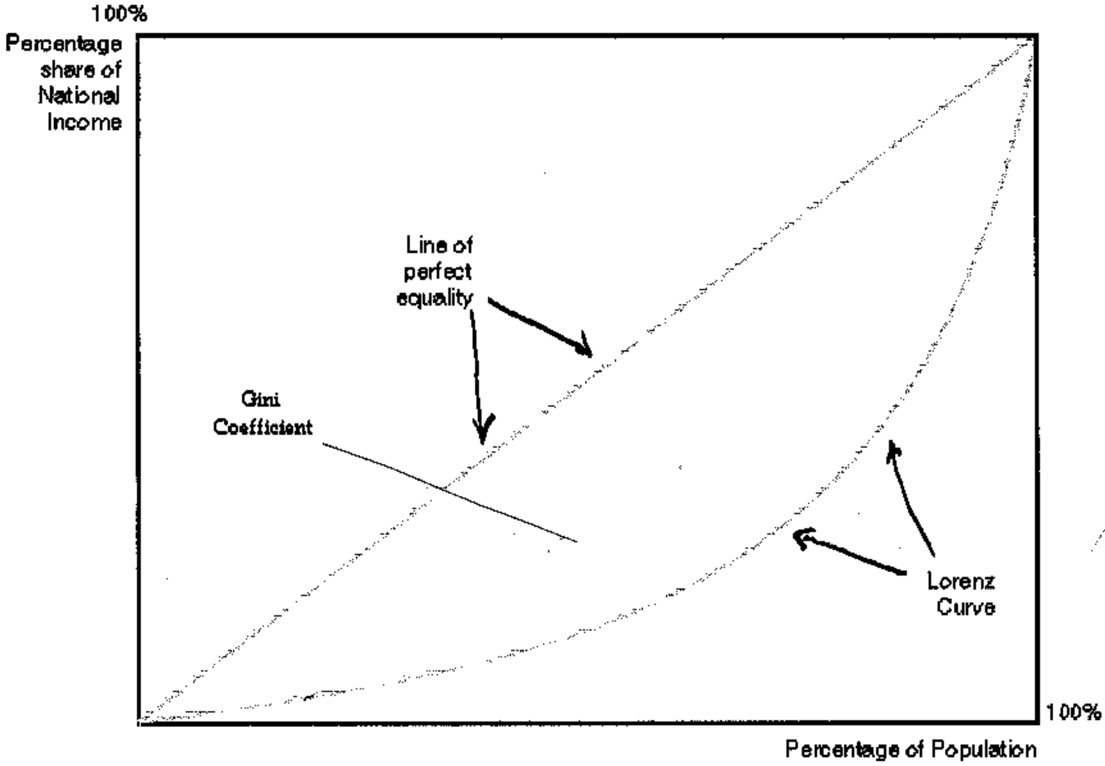
Diagram One: Decrease in Coffee Prices due to Increased Supply



The key element is not the monetary price of coffee but its price compared to other goods. Burundi may find itself in a detrimental position not only because the processing of coffee (which adds to its value) is done outside Burundi, but also because the world price of commodities has gradually tended to fall relative to the price of manufactures like machinery or other capital goods.

This trend may actually encourage Burundi - and many other developing nations that largely export primary products and import manufactures - to export more coffee beans (to maintain their export revenue) while there are shortages of coffee at home. This same situation occurs in southern Somalia where bananas are exported to foreign markets yet there is widespread starvation at home. Moreover, there is often a high Gini coefficient (Diagram Two) in these countries and a rich elite is determining that 'essential' imports include luxury items like televisions or automobiles. Therefore, as the standards of living are declining so too are the terms of trade worsening and, for the majority, poverty increases.

Diagram Two: Lorenz Curve and High Gini Coefficient Reflecting Income Inequality



Yet, importantly, it is not only trade of visibles that counts when investigating development. Due to the debt crisis, a significant proportion[1] of the revenue generated from coffee exports is repaid to Western banks so, as more goods are exported, the wealth of several debt-laden African nations does not improve and people continue starving, while Western nations gain.

This is the dire situation that grips African nations yet some growth and development strategies offer hope for improvement. Yet while the author criticises IMF policies like export-led growth, which is removing trade barriers and building growth through trade and has been followed by Singapore and other Asian Tiger economies, there are several distinct advantages of adopting such a policy. The ambiguous concept of 'fairness' is frequently mentioned in this article, and a policy such as export-led growth is arguably economically 'fair' as it encourages countries to make the most of their factor endowments and follow comparative advantage, developing industries in which they can produce goods with a lower opportunity cost than other countries. Furthermore it could lead many African countries (as has happened with Taiwan) away from producing primary products to producing manufactured goods and thus, by the W Arthur Lewis Structural Change Model, could lead to increased economic development. However, it can lead to a degree of exploitation as developed countries could drain resources and, more recently, the days of developing through export-led growth are dwindling due to the trend of increased protectionism (for instance, the massive EU and US subsidies to farmers).

Furthermore, and this is particularly true of decolonised countries like Kenya and South Africa, the benefits from export-led trading may not accrue to the Kenyan and South African nationals as profits are repatriated by European or American landowners.

[1] Africa spends four times more on debt repayment than healthcare.

For real and long-term development to occur, there must be a degree of international cooperation between the wealthier importers like the EU and poorer coffee producers like Tanzania. Since Tanzanian farmers cannot afford to decently educate children or provide adequate healthcare, their production possibility frontier cannot develop significantly but if more money were invested into education and health, improving the quality and quantity of labour, then the PFF could shift outwards and economic development would occur. While Tanzania has tried to shift the terms of trade in its favour by not only growing and harvesting the coffee crop (and so collecting only about 1% of coffee revenues) but also trying to roast, ship and package instant coffee themselves (which would, it is estimated, bring in 45% of the coffee revenues), they have only been knocked back by European protectionism and massive tariffs which ensure that lower-priced (but inefficient and higher-cost) European producers sell more coffee. This example of trade diversion is not uncommon, and illustrates some of the many problems developing countries that export commodities, like coffee, face.

Moderator's Assessment

Criterion	Level	Comments
A Rubric requirements	**2 (Maximum 2)**	Each commentary meets the word limit of 650–750 words and the portfolio covers at least three different sections of the syllabus. In fact, sections 2, 3, 4 and 5 are represented here.
B Organization and presentation	**4 (Maximum 4)**	The extracts for the portfolio have been chosen from four different sources. The portfolio is extremely well organized with consistent commentary coversheets for each commentary and a portfolio coversheet for the entire portfolio. The portfolio is nicely presented with typed commentaries for ease of reading and tidy diagrams. A variety of diagrams is introduced. The diagrams are all properly labelled and effectively integrated into the text where relevant.
C Use of economic terminology	**5 (Maximum 5)**	Economic terminology is used appropriately and consistently throughout the portfolio. Terms requiring definition are correctly defined. In commentary 1, the student properly defines price elasticity of supply and producer substitutes. In commentary 2, the student provides endnotes for the definitions of recession, aggregate demand, the multiplier and aggregate supply. In commentary 3, the definitions of depreciation, current account, price elasticity of demand, recession and capital account are provided as footnotes to the commentary. In commentary 4, the student uses economic terms appropriately, but does not define them. This does not deter from the overall quality of the portfolio.
D Application and analysis of economic concepts and theories	**5 (Maximum 5)**	The student has been able to identify, apply and analyse relevant economic concepts and theories consistently throughout the portfolio. This is evident in commentary 1 where the concept of price elasticity is applied to the demand and supply of oil. Diagrammatical demand and supply analysis is nicely explained in the text of the commentary. In commentary 2, the use of analysis is exemplary. The effects of tax relief are analysed and presented in aggregate demand and aggregate supply diagrams. The production possibilities frontier is applied to explain how investment in capital will increase Japan's productive capacity. The Lorenz curve is applied to explain the effects of tax relief on income distribution. In commentary 3, an analysis of the effects on the pound sterling of a lowering of interest rates, a growing current account deficit and an uncertain political future is presented in accurately drawn and well-explained diagrams. Commentary 4 is also impressive, with the effects of an increase in the supply of coffee on the price of coffee being nicely analysed and presented in an appropriate diagram.

E **Evaluation**	**4** **(Maximum 4)**	The student demonstrates consistent evaluation of economic theories and concepts applied to the extracts. The student evaluates the short-term versus long-term effects of changes in the demand and supply for oil in commentary 1. The student is aware that the situation in Venezuela is tenuous and the supply, demand and price of oil could change in the long run. In commentary 2, the student is able to evaluate Japan's fiscal policy to bring Japan out of a recession. The student understands that, in theory, a lowering of taxes could cause inflation, but that this is unlikely given the current deflationary environment in Japan. The student is able to discuss and evaluate in detail the weaknesses of this type of fiscal policy. The whole piece is impressively evaluative. In commentary 3, the student is able to evaluate the short-term and long-term effects of a change in interest rates and a change in the exchange rate and the possible implications for total export revenues and import expenditures. In commentary 4, the student evaluates an export-led growth strategy for African nations and both the advantages and disadvantages of the Lewis Structural Change Model.
Total	**20/20**	

Overall Comments

An excellent piece of work; focused, knowledgeable and articulate. The student has displayed a high level of understanding of micro-, macro-, international and development theory. Analysis and evaluation are thorough and present in all commentaries. In commentary 4, the student uses economics terms appropriately, but does not define them. Nevertheless, this does not deter from the overall quality of the portfolio.

PORTFOLIO B

Higher and Standard Level Economics: Internal Assessment Portfolio Coversheet

Name of candidate: Anonymous Candidate Number: 0000 000

Date	Title of Article	Source of Article	Date of Article	Section of syllabus linked to commentary	Word count
dd/mm/yy	[No title given]	South China Monthly Post	21/08/02	2	638
dd/mm/yy	Singapore pins hope on budget	BBC News http://news.bbc.co.uk	03/05/02	3	656
dd/mm/yy	Trade deficit shrinks as U.S. exports rise	Associated Press cleveland.com	13/03/03	4	728
dd/mm/yy	The importance of Central Asia to China	Asia Times Online http://www.atimes.com	13/03/03	5	670

COMMENTARY COVERSHEET

Economics commentary number:_______**SL Number 1**___________________________

Title of extract:_____**No Title Given**____

Source of extract:______**South China Monthly Post**____________________________

Date of extract:_________**21/08/02**____

Word count:________**638**____________words

Date the commentary was written:___**dd/mm/yy**_________________________________

Sections of the syllabus to which the commentary relates:____**Section 2**_____________

Candidate name:___________**Anonymous**_____________________________________

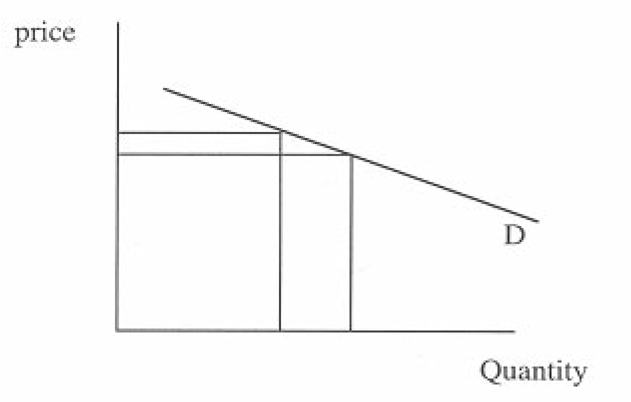
Candidate number:______**0000 000**___________

Commentary Number 1

Article by: Mark McCord, *South China Monthly Post*, 08/21/02

This article is about smoking in New York and presents many interesting points about Economics. An important and debatable issue has struck New York when Mayor Michael Bloomberg announced that he wants to ban smoking in restaurants and bars. His argument is that the health of waiters, kitchen workers and all other staff is endangered by the smoking in New York's 13,000 pubs and eateries. Currently, people in New York can smoke in small restaurants and all bars. Although a similar thing was defeated in the past, Mr.Bloomberg feels that it will pass now because it has won the backing of the legislature of the city.

In his budget this year, Mr. Bloomberg laid a very heavy and drastic tax upon cigarette packets in New York, which increase the common price from $6.20 to $7.50. This action shocked many smokers in the state and cut down cigarette sales by 50%. The concept of elasticity is vital to the comprehension of the diagram. (***Definition**: Elasticity indicates how one variable responds to a change in another variable)*



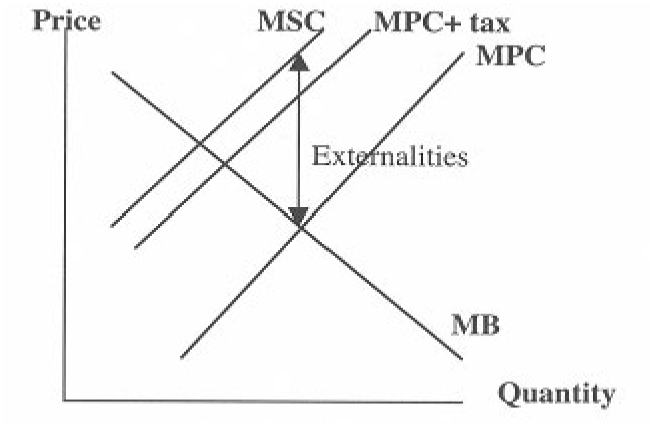
P1 to P2 small increase in price
Q1 to Q2 large increase in quantity

Using the formula of price elasticity when dealing with percentages, it is possible to calculate the new price elasticity for cigarettes in the state New York.

$$Ed = \frac{\%\ \text{change in Qd}}{\%\ \text{change in P}} = \frac{-66}{20} = 3.3$$

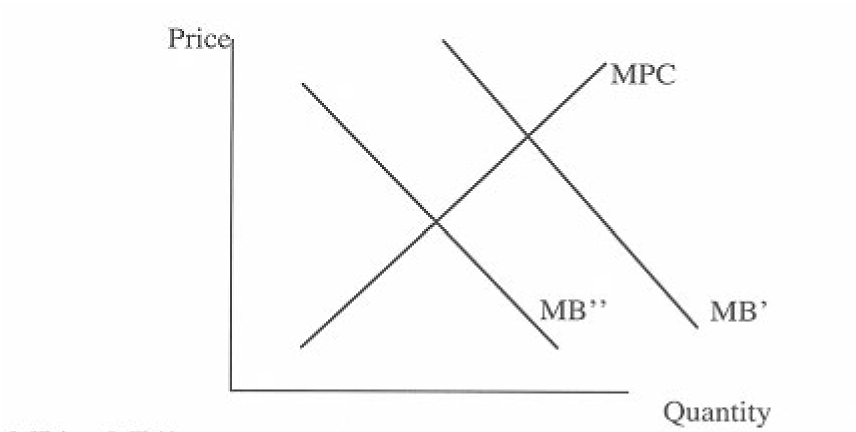
This result proves that the demand for cigarettes is actually price elastic in New York. This is odd because we normally believe that the price of cigarettes is inelastic because people buy cigarettes at any price.

This taxation is an incentive to bring the Marginal Private Cost of cigarettes closer to the Marginal Social Cost, which causes negative externalities that the consumption of cigarette cause such as healthcare. Externalities are caused when someone other than the person who used the product are affected. For example, if a steel company dumps its chemical waste in a nearby river, then the company has less costs than if it cleaned up its waste, but other people are hurt by this. It will also reduce the amount of people that smoke, which will reduce illnesses provoked by smoking and therefore healthcare investment will be less. This would eventually lead to a socially efficient optimum. If this is not the case, then there is a Market Failure. *(**Definition:** Market failure occurs when the price mechanism is imperfect and result in an inefficient allocation of resources from the perspective of society)* Other market failures are positive externalities, monopoly power and unequal distribution of income.



From this diagram it is possible to see that the taxation put into place has pulled the MPC curve closer to the MSC, which means that the production is socially more efficient. The additional income of the state from the taxes can be used to invest in healthcare associated with smoking related diseases.

The restaurant and pub ban on the other hand, will provoke a decrease in Marginal Benefit, which can be illustrated as a fall in demand.



MB' to MB''

The fall in demand has caused the production equilibrium to shift closer to the social optimum, which is achieved when MB = MSC. The marginal benefit is how much more people benefit when they consume a cigarette.

The decision of the Mayor to use taxes and bans on cigarettes has provoked only positive results, concerning healthcare. This kind of government intervention is both good and bad for the economy. It is good because people will smoke less and the government can gain tax revenue. It is bad because people really like to smoke and it is not right that the government tells them everything to do.

638 words.

Commentary Number 1 Extract

Mark McCord, *South China Monthly Post*, New York [08/21/02]

A rights row is smouldering in New York following Mayor Michael Bloomberg's announcement that he wants to ban smoking in the city's bars and restaurants.

Civil liberties groups, public health advocates, restaurant owners and bar managers are bickering over the measure, which already has won the tacit backing of the city's legislature.

Republican mayor Bloomberg ignited the issue last week when, saying that smoking was "stupid", he announced that he would seek a ban – to preserve the health of waiters and kitchen workers – on lighting up at the city's 13,000 pubs and eateries. "No one should have to breathe poison to hold a job or frequent an indoor public space," he said, quoting city health figures that showed 1,000 people a year died in New York City from smoking-related illnesses.

In New York, smoking is now allowed in restaurants that have fewer than 35 seats – establishments with more seats must have a smokers' corner – and in all bars.

Legislation is expected in the city council this week. A similar measure was defeated in New York State's Albany legislature in June, but Mr Bloomberg believes his local ordinance will pass, as he has the backing of the council's Democratic leader, Gifford Miller.

Mr Bloomberg, who gave up smoking 20 years ago, raised cigarette taxes from eight US cents to US$ 1.50 (HK$11.70) in this year's city budget, pushing the price of a packet of 20 up to about US$ 7.50, the highest in the country. That sent cigarette sales down 50 per cent as smokers bought in neighbouring New Jersey or on tax-free Native American reservations.

Mr Bloomberg's latest announcement, however, has set off a heated debate in the city of eight million, a third of whom are believed to smoke.

"If we can't smoke in public why should we pay the public's taxes?" asked New York City Citizens Lobbying Against Smoker Harassment, a campaign established to fight the legislation. It has urged supporters to buy cigarettes outside the state to hurt the council's income.

While the powerful New York State Restaurant Association surprisingly dropped its long-held opposition to a ban last month, bar managers privately fear legislation will deter casual drinkers from visiting pubs.

"There's a joke here: please don't turn New York into California," Chris Dwyer, 27, manager of the Ginger Man bar on 36th Street in Manhattan said, referring to a California ban that has been in place since 1997.

"I see crowd control and garbage problems occurring when you have hordes of people congregating outside the pub on the street to have a smoke."

Ban supporters say data from California and Delaware, the only two states with a ban on smoking in bars, showed restaurant and bar business increased after clean-air acts were introduced.

"In California, business increased by 10 per cent," Professor John Banzhaf, executive director for Action on Smoking and Health (ASH), an international anti-smoking group, said. "More importantly, the health of staff has demonstrably improved."

COMMENTARY COVERSHEET

Economics commentary number:_______**SL Number 2**____________________________

Title of extract:_____**Singapore pins hope on budget**____________________________

Source of extract:______**BBC News. http://news.bbc.co.uk**________________________

Date of extract:___**03/05/02**____

Word count:________**656**____________words

Date the commentary was written:___**dd/mm/yy**__________________________________

Sections of the syllabus to which the commentary relates:____**Section 3**_______________

Candidate name:___________**Anonymous**_______________________________________

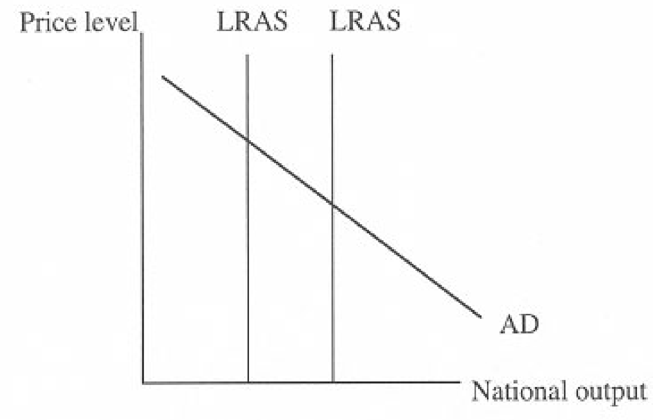
Candidate number:______**0000 000**___________

Commentary Number 2

Article: http://news.bbc.co.uk/1/hi/business/196605.stm

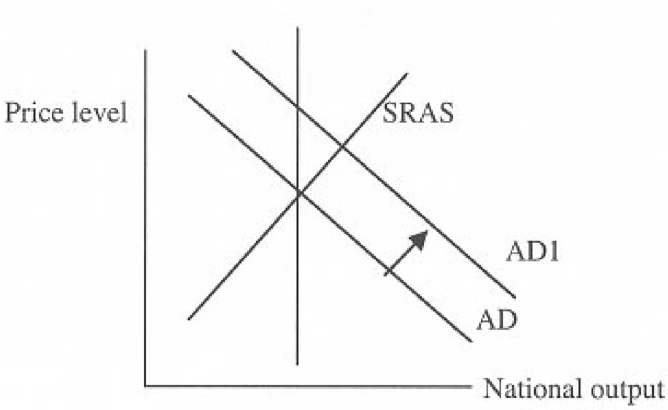
This article is about the Singapore economy. Singapore has been experiencing its worst recession since independence in 1965. Corporate and personal income taxes will be lowered to 20% within three years with the top personal rate falling from 26% to 22% this year. This means less revenue for the government so to offset that, the Goods and Services Tax (GST) will rise from 3% to 5%.

Income tax cuts would most probably provide an incentive for people to work harder. Therefore, Singapore is hoping to increase production in the economy and increase aggregate supply through this supply-side policy. Supply-side policies such as these will aim to change the fundamental structure of the economic performance of markets and industries, and of industrial workers and firms within these markets. In Singapore's case, the government is aiming to help boost the economy to recover from its recessionary process.



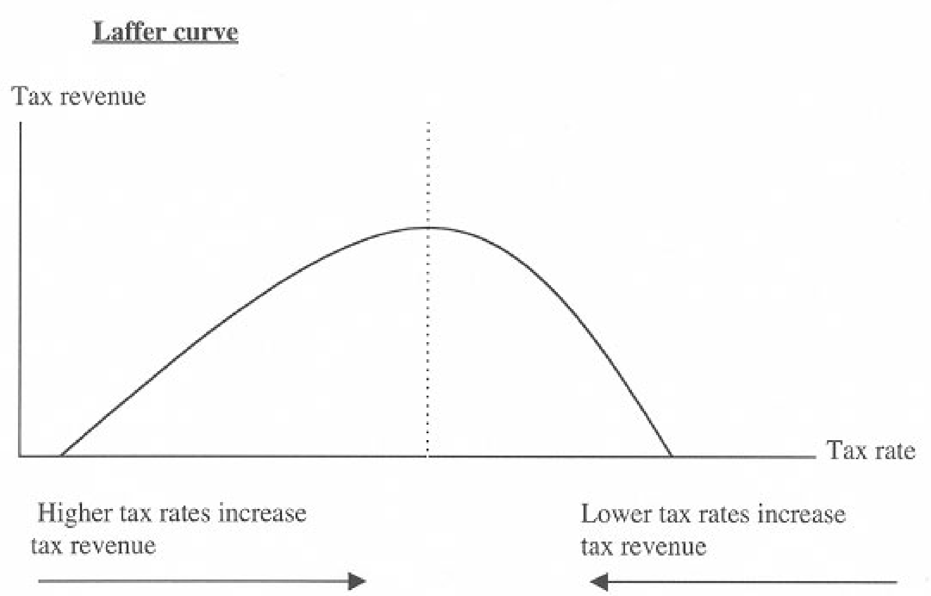
By lowering income and cooperate tax, the Singapore government is striving to move its LRAS to LRAS1 as companies can afford to produce more and expand. It is also a clever action made by the government by creating 'money illusion' for consumers of the goods and services produced domestically. (***Definition:*** *Money illusion is when the economic agents such as workers believe that there are changes in the value of money despite noticing the inflationary are occurring at the same time*) As people think that their real income has increased, so have the prices of goods and services through the increase in the GST rate, which suggests a possible increase in average revenue for the government. Something else many consumers don't tend to notice is that a change from 3% to 5% suggests a 2% rise on indirect taxes which also means a 40% rise in government revenue. (2% out of 50% is a 40% change from 3%). Therefore the Singapore government is increasing their total revenue by a large percentage when consumers are not affected much in terms of their spending with a 2% increase in GST.

The fate of the economy doesn't only depend on the this government policy: other strategies can also be implemented such as demand-side and supply-side policies.



'Money illusion' makes households consume more and more and in the short run, aggregate demand will rise from AD to AD1. The advantage for rising the GST in the Singapore economy is because it is taxed on almost every good and service produced in the economy. This will provide more revenue for the government because there are transactions which are not declared for tax purposes. Such transactions are non-marketed outcomes, an example would be Do-It-Yourself activities such as growing vegetables for personal consumption and where people are engaged in subsistence agriculture. Also, there's always an underground economy consisting of illegal and hence undeclared transactions such as drug dealing.

The reduction in tax rates as a form of fiscal policy also has its weaknesses:



As shown in the Laffer curve, a fall in tax rates will increase revenue up to the highest point on the curve. Due to increased incentives to work as tax rates are low, workers become inefficient and total productivity in the economy falls, therefore resulting in a fall in tax revenue beyond the maximum point as we keep moving on the curve.

The fate of the economy doesn't only depend on this government policy; other strategies can also be implemented such as demand-side and supply-side policies. These policies include implementing other monetary policies rather than fiscal, such as increasing interest rates to boost confidence among consumers, businesses and stock markets to encourage spending in the economy, or by increasing the money supply. The Singapore government probably had considered other changes that can be made to the economy but at this time of recessions, perhaps this is the best choice they have come up with to recover.

(656 words)

Commentary Number 2 Extract

Singapore pins hopes on budget

Singapore has announced a budget it hopes will enable it to compete better on the global stage.

Deputy Prime Minister Lee Hsien Loong said the real thrust of the budget was about attracting business and talent to the island.

The country has been experiencing its worst recession since independence in 1965 largely because the global downturn slashed demand for the country's main export, electronic products.

Singapore, a city-state with no natural resources, was one of the so-called Asian tiger economies before the 1997-98 financial crisis.

But China and other Asian countries have recently been luring investment away from Singapore, which has a high standard of living and cannot compete with cheaper labour elsewhere.

Urgent action

Mr Lee, who is also finance minister and head of the central bank, made it clear the country needs to act quickly and nimbly.

"In a globalised economy talent is highly mobile and doors everywhere are open to talent," he said.

"Without talent, whether home-grown or imported, our economy will not hum, new businesses will not start, and the prospects for all Singaporeans are bleak."

"If Singaporeans find their taxes too onerous some of them will move elsewhere," he added.

Corporate and personal income taxes will be lowered to 20% within three years with the top personal rate falling from 26% to 22% this year.

This obviously means less revenues for the government so to offset that, the Goods and Services Tax (GST) will rise from 3 to 5%.

Confidence

For the first time ever, the budget was announced while the financial markets were still open – a sign of government confidence.

With the measures widely expected, the stock market showed little reaction and the Singapore dollar strengthened against the US dollar.

The other significant announcement was the revision of the government's economic growth forecast for the economy to between 2 and 4%.

However, some analysts believe the budget will do little to attract foreign investment.

Desmond Sopel from Barclays Capital in Singapore, told the BBC's World Business Report that the main problem confronting the country in the fight for foreign direct investment, was simply the lack of business opportunities.

"Within the region, south east Asia doesn't have the manufacturing diversity and economic growth which is available in north Asia," he said.

He says the retail sector in Singapore is in a poor state and companies will have to absorb the additional GST.

"Private consumption demand is extremely weak in Singapore," he said.

Fair reaction

Jannie Tay, president of the Singapore Retailers' Association and shop owner, told the BBC's World Business Report that overall it was a fair budget.

She added that retailers were having a hard time with consumer confidence weak because of the recession.

The budget must be formally approved in Parliament but no changes are expected.

The ruling People's Action Party (PAP) holds all but two of the 84 elected seats and PAP members are required to vote along party lines.

COMMENTARY COVERSHEET

Economics commentary number:_______**SL Number 3**__________________________

Title of extract:_____**Trade deficit shrinks as U.S. exports rise**______________ _____

Source of extract:______**Associated Press, Cleveland.com**_______________________

Date of extract:____**13/03/03**____

Word count:________**728**____________words

Date the commentary was written:_____**dd/mm/yy**_____________________________

Sections of the syllabus to which the commentary relates:____**Section 4**____________

Candidate name:___________**Anonymous**____________________________________

Candidate number:______**0000 000**___________

Commentary Number 3

Article: Associated Press. Cleveland.com 03/13/03

This article is about the issues surrounding the USA's trade deficit with other countries that sees the USA's trade deficit fall by a staggering US$41.1 billion in January. *(Definition: A trade deficit is when the total value of imports exceeds the total value of exports)*

This is a start of improvement for obviously a serious problem for the USA as a trade deficit as big as $41.1 billion could start to hamper the long-term economic growth and development of the USA.

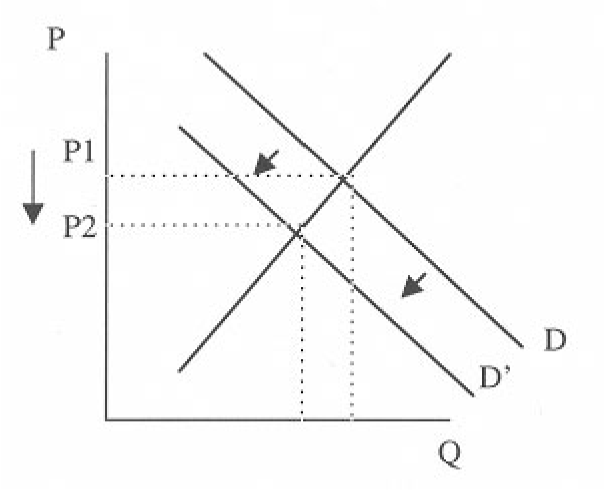
Firstly, why does the USA trade? There are a few reasons as to why countries trade and they are discussed below:

Firstly, availability. Some goods can only be produced in specific parts of the world for climatic reasons. For example, in the UK, the climate is too cold for growing tropical fruits. But because there is still a demand for the fruits, the UK may trade with countries such as the Philippines that have the right climate for growing bananas.
Secondly, Produce differenciation. Goods may be similar but not identical, and because one country may produce 1 version, the other country will have to trade with them in order to get it. For example, cars.
Thirdly, absolute and comparative advantage. These compare how much of a good x a country can produce at the same time as producing good y. It is about the opportunity cost of producing the goods x and y. Should the opportunity cost of producing 1 unit of x in the UK exceed the cost of producing the same unit in Japan, it makes sense to produce it in Japan. So the UK may produce less of x and more of y to trade with Japan.

The above reasons illustrate the possible reasons for trade between different countries. In the case of the USA, they are exporting a lot of American Industrial supplies such as household appliances and cosmetics.

The USA has experienced an improvement in their trade deficit meaning that the ratio between the total value of imports to exports is not as different as it was before. This has been caused by several factors including the depreciation of the US dollar in recent times. This makes US goods more competitive in the international market due to the fall in the value of their currency. This is one of the factors that prompted foreign consumers to buy more US goods that lead to the reduction in the US trade deficit.

The article also states that the percentage of imports fell by 2%, which is another thing that will improve the trade deficit. Now that there are more exports as well as fewer imports, this will reduce the trade deficit, as the ratio of the value of exports and imports is not as significant as it used to be. This came due to a fall in demand for imports in the USA as the US dollar was now weaker, foreign goods are now seen as less attractive as they seem more expensive as the people’s purchasing power has fallen due to a depreciated dollar. The diagram below shows the fall in demand.



The reduction in the trade deficit is also beneficial for the development of the country. (***Definition:*** *Development is the elimination of inequality, unemployment and poverty in a country*) This is because the rate of development can always be increased by an injection of money into a country. There are 5 major stages of development according to Rostow's model. The USA is now reaching the final stage of development known as stage 5 – the 'age of mass consumption'. The consumer durable industries flourish. The service sector becomes increasingly dominant.

According to Rostow, development requires substantial investment in capital. Now that the USA has already been almost fully developed, the country can continue to develop further with the continued investment from foreign countries. This will also help to improve another balance known as the balance of payments on the capital account.

In conclusion, the USA's improvement in their trade deficit can only mean increased rates of development in the future as well as increased competitiveness on the international market. This is a benefit for the country the standard of living in their country increases because they will get more national income that can be distributed within the USA.

(728 words)

Commentary Number 3 Extract

THE PLAIN DEALER

Trade deficit shrinks as U.S. exports rise

03/13/03

Associated Press

Washington – A pickup in foreign demand for American industrial supplies, household appliances and cosmetics helped to narrow the U.S. trade deficit to $41.1 billion in January.

Even with the improvement, the trade gap marked the second biggest monthly deficit on record, the Commerce Department reported yesterday.

“The trade deficit narrowed in January. Whoopee!” said economist Joel Naroff, president of Naroff Economic Advisors. “The decline in the trade deficit may look nice, but the level is so outrageous that it’s hard to get excited.”

The deficit slimmed down by 8.4 percent in January from December’s record $44.9 billion. The gap narrowed as U.S. exports rose, helped out by a weaker U.S. dollar, and imports fell, reflecting the more cautious mood of American consumers and businesses.

Exports of goods and services went up by 1.6 percent to $81.9 billion in January.

Exports of industrial supplies, including chemicals and steel, increased to $14 billion, the highest level since April 2001. Overseas sales of U.S.-made consumer products – a broad category that includes household appliances, cosmetics and furniture – rose to $7.4 billion, the best showing since May 2001.

The dollar has lost altitude over the past year, a good development for U.S. exporters because it makes their products more competitive on foreign markets and less expensive for overseas buyers.

“Certain fundamentals are beginning to move in a positive direction, including the 12 percent decline of the dollar over the past year,” said National Association of Manufacturers President Jerry Jasinowski.

But weak economic growth overseas, especially in Europe, means that export growth probably won’t really pick up until the second half of this year – assuming the geopolitical situation stabilizes, he added.

The narrowing of the trade deficit came even as the average price of imported crude oil jumped to $27.73 a barrel in January, the highest price since November 2000.

January’s per barrel price was $3.58 higher than December’s, marking the largest one-month gain since September-October 1990. Fears about a possible war with Iraq are contributing to higher energy prices.

Imports of goods and services, meanwhile, dropped by 2 percent in January to $123 billion, reflecting Americans’ weaker demand for a wide variety of foreign-made goods amid economic jitters at home.

COMMENTARY COVERSHEET

Economics commentary number:_______**SL Number 4**____________________________

Title of extract: _____**The importance of Central Asia to China**___________________

Source of extract:_____**Asia Time Online, http://www.atimes.com**_________________

Date of extract:_________**13/03/03**____

Word count:________**670**____________words

Date the commentary was written:_____**dd/mm/yy**_______________________________

Sections of the syllabus to which the commentary relates:____**Section 5**_____________

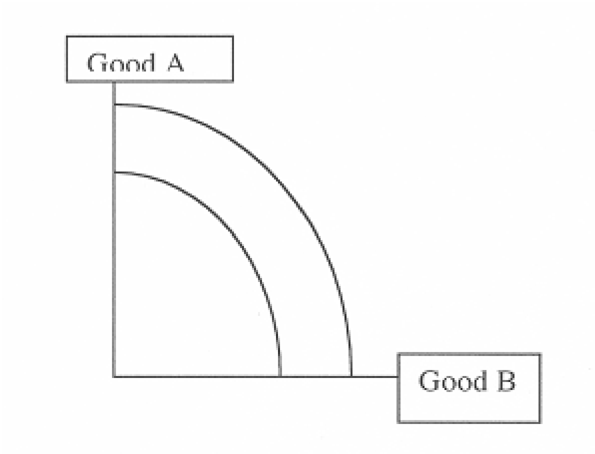
Candidate name:___________**Anonymous**_____________________________________

Candidate number:______**0000 000**___________

Commentary Number 4

Article by: Ehsan Ahrari, *Asia Times online*, 13/03/03

This article is about China's attempts to enhance its strategic presence in Central Asia. This is because China's emphasis on modernisation has required extensive financing and increasing access to oil in Western Asia, especially in Saudi Arabia, Iran and Iraq. As stated in the article 'China Petrochemical Corp (Sinopec), the country's number 2 producer, became the second Chinese oil company to buy into Kazakhstan's giant North Caspian Sea project'. So it is clear here that China is trying to expand on one of its factors of production (natural resources) for the country to generate more growth in the future. (**Definition:** Growth is the increase in output). This concept can be illustrated by a shift of the PPF to the right.



China's official target for growth of GDP for the 2001-05 Five Year Plan is 7 percent. In addition, the country's energy consumption has increased. In the year 2000, out of the total consumption or 200 million tones, China imported 70 million tones of crude oil. Up to 50 million tones comes from Asia. By 2005, it is estimated that more than 100 million tones or 456% of the country total oil requirements will be imported. Some Western analysts predicted that by 2020, China would be importing as much as 75% of its oil. The Asian Development Bank however gives much more conservative estimate of 38%. Whichever percentage is correct, China is vulnerable.

After USA and Japan, China is the third largest energy consumer together with the fact that it is a country with a rapidly growing economy. This growth is uneven with the South-eastern coastal areas surging ahead compared to other areas. Undoubtedly in the future, the energy requirements will increase.

The first plan is to build a reserve of 6 million tones of imported oil that will give them one-month supply of reserve. But doing this may take three years because of the high oil prices. If China has to wait, for example one year for the oil price to decrease substantially, the way could set the plan back for 5 years.

A second plan is to develop China's own sources. One idea is that a 4 thousand kilometre pipeline should be built to carry oil from Western China Xinjang populated region to the fast developing east coast. The cost of such a project would be 5 million for the pipeline and including the infrastructure would rise to around US $13 billion of even more. Through partnership with Australian energy companies, China has now succeeded in procuring US$ 5 billion and another US$ 500 million from British Petroleum. However, this plan will take at least 10 years before it will be operational. So it is essential that China keep strong links with Western Asia.

West Asia has now become China's forth largest trading partner. But China does not want to ignore US or other important trading partners. China's greatest profits risk, and advantage is in sales of arms and Iran is the prime customer.

This situation explain why China also wants to keep good relations with the US. Now that the war in Iraq has ended, I think that the influence of the US will increase in Central Asia. The problem here is that China has sold arms to Iran, a country which is considered by the US as a leading sponsor of terrorism. So it is important that the country tries to establish itself in central Asia before other country, especially the US. So it must take more risky ventures to ensure influence in an area where poverty is prevalent, despots are in power and political instability is a current problem.

I think that China could also envisage using alternative sources of energy as they are cheaper and cause less damage to the environment. Moreover, oil is a non-renewable resource and will get more and more expensive as a result. Solar energy, wind mills and hydroelectrics are examples of substitutes to oil.

Word count: 670

Commentary Number 4 Extract

The importance of Central Asia to China

Asia Times Online

by Ehsan Ahrari

When the world is busy reading tea leaves to figure out whether or when Iraq will be invaded, China is quietly enhancing its strategic presence in Central Asia. Tuesday's Financial Times reported that China Petrochemical Corp (Sinopec), the country's No 2 oil producer, became the second Chinese oil company "to buy into Kazakhstan's giant North Caspian Sea project".

English geopolitician Sir Halford Mackinder (1861-1947) once observed that whoever controlled Central Asia would wield enormous power in the world. In the 21st century, that notion of "control" is outmoded. Even the lone superpower, the United States, cannot think in those terms. However, Central Asia is wide open for that country, and two other great powers – China and Russia – to make their influence and presence felt. For China, having a presence in Central Asia, above all, means having access to the enormous Caspian Sea oil reserves.

China is the third-largest consumer of energy after the United States and Japan. It is also a country whose economy is rapidly growing but which has unevenly developing regions. Its southeastern coastal area is experiencing particularly rapid economic development, compared with other areas. This characteristic alone underscores the fact that its energy needs in the coming years will rise.

The official target for growth of gross domestic product (GDP) for the 2001-05 Five Year Plan is 7 percent. Even though the economic data issued by the China's government have questionable reliability, its GDP growth is reported to be down from 8 percent for 2000 to 7.3 percent for 2001. For the year 2002, it is reported to have registered an increase of 7.5 percent. Given the large amount of China-US trade, China's economic growth was interrupted as a result of the September 11, 2001 attacks in the United States. But that interruption proved to be ephemeral. People's Daily on January 2 reported that for this year, the increase in China's GDP is expected to be more than 8 percent. However, in order to maintain an average of 7 percent or even higher GDP growth, China will need guaranteed access to secure energy sources.

China's energy consumption has reported a noticeable jump from a total of 4.36 million barrels per day (bbl/d) in 1999 to 4.78 million bbl/d in 2000. The consumption for 2001 was reported to be 4.9 million bbl/d, while oil production from domestic sources was at 3.3 million for that year. As an up and coming economy, China's energy consumption is expected to exceed that of Japan's within the next decade, reaching 10.5 million bbl/d by 2020.

In an age marred by turbulence involving the regions holding the world's major oil reserves, China recognizes the need to diversify its sources of energy supplies. Thus, it is acquiring interests in exploration and production in different regions of the world. Its largest oil company, China National Petroleum Corp (CPNC), already holds oil concessions in Kazakhstan, Venezuela, Sudan, Iraq, Iran, Peru, and Azerbaijan. Of these, the most significant deal, according to one report, is CPNC's acquisition of a 60 percent stake in the Kazakh oil firm Aktobemunaigaz, whereby the Chinese company pledged to invest significantly in the Kazakh firm's development over the next 20 years.

In addition, the China National Offshore Corp (CNOOC) – that country's third-largest oil-company – purchased an 8.33 percent stake from BP Group. There have also been discussions of a possible oil pipeline from Kazakhstan to China.

There is no suggestion that China's oil-related activities are potentially troubling either to Russia or the United States. In fact, China is also involved in a discussion with Russia to build a pipeline for oil exports. What is important to note is that the Central Asian region remains an area of high interest to China, Russia and the United States. This is also an area where the future great-power presence, if not competition, is likely to intensify in the coming years. Russia and China already have tremendous stakes merely because it is their region of immediate propinquity. Russia itself is busy negotiating an ever-increasing number of oil agreements with countries bordering the Caspian Sea area, save Iran.

For the United States, Central Asia is especially important in the aftermath of the September 11 attacks on its territory, and also because anti-status quo Islamist forces are very much alive. At least for now, those groups are lying low in the immediate aftermath of the conclusion of Operation Enduring Freedom in Afghanistan. Once the United States gets busy with the Iraq invasion, and its rebuilding after the ravages that invasion is expected to cause, the Islamist groups in Central Asia will reassess their own next move.

Central Asia is also a region where misery prevails, and where the world's worst despots rule. This is also an area about which it can be stated with reasonable certainty that political instability will occur in the near future. Of all the great powers, China is only too cognizant of that contingency. Besides, within its own borders, China's rulers have been suppressing the aspirations of Uighur population to be free. Ethnically and religiously, the Uighurs are the same people as the rest of Central Asia (with the exception of Tajiks, who though of Islamic faith, are not of Turkish ethnicity).

Aside from quenching its ever-escalating appetite for energy from the Caspian Sea and other oil resources of the region, China appears to be reminding itself of that observation of Makinder with a slight twist: whoever makes its presence felt in Central Asia would wield enormous power in the world.

Ehsan Ahrari, PhD, is an Alexandria, Virginia, US-based independent strategic analyst.

Moderator's Assessment

Criterion	Level	Comments
A Rubric requirements	**1 (Maximum 2)**	The portfolio covers four sections of the syllabus: sections 1, 2, 3 and 5, but commentary number 1 does not meet the word limit requirement of 650–750 words.
B Organization and presentation	**3 (Maximum 4)**	The extracts are chosen from four different sources. The portfolio is well presented and appropriate diagrams are included but the diagrams are not always effectively used. For example, the diagram in commentary 2 illustrates actual growth but the definition associated with it is that of potential growth. In some cases diagrams are not labelled or are labelled inappropriately, for example in commentary 4 and in commentary 3, the diagram is labelled but the direction of shift of LRAS is not indicated.
C Use of economic terminology	**3 (Maximum 5)**	The commentaries in the portfolio generally demonstrate appropriate use of economic terminology. However, terms are not always correctly defined. In commentary 1 there is an incomplete definition for elasticity, and in commentary 4 the definition for growth is also incomplete. In commentary 2 there is a persistent confusion as to the components of aggregate demand.
D Application and analysis of economic concepts and theories	**3 (Maximum 5)**	Relevant concepts and theories have been identified but have not always been applied accurately. In commentary 3 the economic concepts and theories deployed have little connection with the extract. Most of commentary 4 is a superficial analysis of the abstract. In commentary 1 the application of elasticity theory is superficial and inaccurate.
E Evaluation	**2 (Maximum 4)**	In the commentaries the student attempts to evaluate the economic theories and concepts but the evaluation is consistently limited. In commentary 1 for example, evaluation is constrained to a simple statement of opinion in the last two lines. Commentary 3 is very descriptive with particularly limited evaluation.
Total	**12/20**	

Overall Comments

This is a satisfactory piece of work overall, but there are areas that deserve a little attention. First of all, care should be taken in the use of diagrams: diagrams must be carefully drawn and fully labelled; commentaries 3 and 4 illustrate this point. Although relevant economic concepts and theories have been identified, they have not always been applied accurately. For example, the concepts and theories displayed in commentary 3 have little connection with the extract. In the same way economic terms are not always defined correctly: for example, see "growth" in commentary 4, "elasticity" in commentary 1, and "aggregate demand" in commentary 2. Lastly, there is a need for more careful evaluation in each commentary. Overall, however, this is a well-presented and satisfactory piece of work.

Resources

Sample Coversheets

Two coversheets are provided here. These suggest how students can record the necessary details for each commentary and portfolio as a whole in order to comply with the requirements for record keeping.

These are followed by other resources: a checklist for students, a checklist for teachers, advice for students and how to reference sources.

Moderator's Assessment

Criterion	Level	Comments
A **Rubric requirements**	**1** **(Maximum 2)**	The portfolio covers four sections of the syllabus: sections 2, 3, 4 and 5, but commentary number 1 does not meet the word limit requirement of 650–750 words.
B **Organization and presentation**	**3** **(Maximum 4)**	The extracts are chosen from four different sources. The portfolio is well presented and appropriate diagrams are included but the diagrams are not always effectively used. For example, the diagram in commentary 4 illustrates potential growth but the definition associated with it is that of actual growth. In some cases diagrams are not labelled or are labelled inappropriately, for example in commentary 4 and in commentary 2, the diagrams are labelled but the direction of shift of the PPF and LRAS respectively is not indicated.
C **Use of economic terminology**	**3** **(Maximum 5)**	The commentaries in the portfolio generally demonstrate appropriate use of economic terminology. However, terms are not always correctly defined. In commentary 1 there is an incomplete definition for elasticity, and in commentary 4 the definition for growth is also incomplete.
D **Application and analysis of economic concepts and theories**	**3** **(Maximum 5)**	Relevant concepts and theories have been identified but have not always been applied accurately. In commentary 3 the economic concepts and theories deployed have little connection with the extract. Most of commentary 4 is a superficial analysis of the abstract. In commentary 1 the application of elasticity theory is superficial and inaccurate.
E **Evaluation**	**2** **(Maximum 4)**	In the commentaries the student attempts to evaluate the economic theories and concepts but the evaluation is consistently limited. In commentary 1 for example, evaluation is constrained to a simple statement of opinion in the last two lines. Commentary 3 is very descriptive with particularly limited evaluation.
Total	**12/20**	

Overall Comments

This is a satisfactory piece of work overall, but there are areas that deserve a little attention. First of all, care should be taken in the use of diagrams: diagrams must be carefully drawn and fully labelled; commentaries 3 and 4 illustrate this point. Although relevant economic concepts and theories have been identified, they have not always been applied accurately. For example, the concepts and theories displayed in commentary 3 have little connection with the extract. In the same way economic terms are not always defined correctly: for example, see "growth" in commentary 4, "elasticity" in commentary 1, and "aggregate demand" in commentary 2. Lastly, there is a need for more careful evaluation in each commentary. Overall, however, this is a well-presented and satisfactory piece of work.

Higher Level and Standard Level Economics: Internal Assessment Portfolio Coversheet

Name of candidate:______________________________ Candidate number:__________________

Date	Title of Article	Source of Article	Date of Article	Section of Syllabus Linked to Commentary	Word Count

Checklist for Students

The following checklist can be used by students to complete each commentary before handing it to the teacher. This checklist will enable students to complete the requirements for each commentary.

	Commentary			
	1	2	3	4
1. On each commentary, have you noted the: • title of the extract? • source of the extract? • date of the extract? • word count of the commentary? • date the commentary was written? • section(s) of the syllabus to which the commentary relates? This is best done as a commentary coversheet.				
2. Have you included the extract?				
3. Is the commentary within the word limit (650–750 words)?				
4. Have you labelled your diagrams accurately?				
5. Have you highlighted the relevant parts of the extract if it is lengthy?				
6. If the extract is in a different language from the working language of the school, have you provided a translation of the relevant parts?				
7. If you have used sources or references other than the extract, have you cited them correctly?				
8. Have you checked that each extract is from a different source, ie it is not taken from the same news media as ones you have used in other commentaries?				
9. Have you kept a second copy of your extracts and commentaries for your file?				
10. Have you put your portfolio in a suitable folder (not individual plastic wallets)?				

Checklist for Teachers

The following checklist can be used by teachers before submitting portfolios for external moderation.

Have you checked feedback forms from previous examination sessions for helpful comments and/or guidance for future action?	
Have you used the correct internal assessment criteria?	
Does each student's portfolio have an appropriate summary sheet with the prescribed information?	
Do the four commentaries in each student's portfolio have an appropriate summary sheet with the prescribed information?	
Have you included (and kept a copy of) your comments on the portfolio?	
Have you kept a copy of the student's work?*	
Are the pieces of work included?	
Have you checked that each portfolio contains four commentaries?	
Is the portfolio contained in a suitable folder?	
Does any work have plastic folders that need to be removed?	
Have all the appropriate IBO forms been entered correctly on IBNET?**	

* Although it is not a requirement, teachers are advised to keep a photocopy of the student's work as a contingency measure or for future reference.

** Currently these forms are:

3CS (a coversheet for each student's portfolio)— this is the teacher's responsibility.

3IA (a list of all the portfolios included in the sample for moderation)—this is the IB Diploma Programme coordinator's responsibility.

Advice for Students

The following may be valuable advice when preparing work for the commentaries.

- The portfolio is worth 20% of your final mark at higher level and 25% at standard level. A good portfolio can improve your overall grade.
- Find a suitable current article. Short articles, concerned with real economic matters, are recommended.
- Read the article carefully and highlight or underline relevant parts.
- Define relevant terms but note that there is no need to repeat terms you have already defined in earlier commentaries.
- Apply relevant theory—link theory to your particular extract.
- Do not simply paraphrase or summarize the article (this is a common fault).
- The use of diagrams is highly recommended. Whenever possible, use a diagram to illustrate theory. Make sure you fully label all diagrams from the text. (If you are drawing a supply and demand diagram for the oil market, do not simply put Price [or even P] on the *y* axis—give the full information—price of oil $ per barrel). If there are figures in the extract, include them in the commentary. If you are using diagrams from the Internet, adapt them to apply to your commentary.
- Highlight any fallacies in arguments and try to reach a balanced conclusion.
- Try to use a common style of presentation for each of your commentaries—a common font, size of print, style of heading. Although it is not a requirement, you are strongly recommended to type your work.
- Use the IB Diploma Programme economics internal assessment criteria to guide your work.
- Remember that across your complete portfolio you must refer to at least three sections of the syllabus.

Note that any interim assessment is not your final assessment. The final mark is based on your whole portfolio. The mark is confidential. It is subject to moderation (outside examination) by the IBO, and your teacher is not permitted to give you this information.

How to Reference Sources

The following guidance is based on the Harvard author–date system. It is offered as an example. Although the IBO permits any accepted convention for citing and acknowledging sources, a consistent style for the portfolio is desirable.

References for articles used in the commentary

In all cases, the source and publication date of the abstract **must** be used.

Name, date. **Title of the article** (in quotation marks). **Name of the journal** (in italics), **volume number**, first and last **page numbers**.

Michelle Connolly, Pietro F. Peretto, March 2003. "Industry and the Family: Two Engines of Growth". *Journal of Economic Growth,* 8(1), pp.115–148.

References for information from the Internet

Name (if possible). **Title** (in italics). **Date** site was visited

URL (address for the homepage). Heading for web page (if there is one).

Shann Turnbull. *New Strategies for Structuring Society from a Cashflow Paradigm* . 02/06/03

http://cog.kent.edu/lib/turnbull1/turnbull1.html

References to materials (books, articles, web sites) used in the body text of the commentary

Use brackets (parentheses) to set off a reference in the text. Give the author's name/article/web site and date of publication.

(Stiglitz 2002)

(Marxist Economics web site 2000)

The reference should appear in footnotes at the bottom of the same page and should be identified with a superscript number.[1]