

## ECONOMICS

### TZ1 (IB Latin America & IB North America)

#### Overall grade boundaries

##### Higher level

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 12	13 - 26	27 - 38	39 - 50	51 - 62	63 - 74	75 - 100

##### Standard level

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

#### Higher and standard level internal assessment

##### Component grade boundaries

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

#### The range and suitability of the work submitted

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

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

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

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

## Candidate performance against each criterion

### Criterion A

Most candidates achieved the maximum two marks for Criterion A and when this was not the case, the teachers had deducted a mark(s) accordingly. As is often the case, some candidates provided a word count of below 750 words when in reality the commentary was longer than this. Some candidates seem to be unaware that all words are included, including footnotes and diagram labels. It is important to note that moderators do count words.

### Criterion B

There are still too many examples of candidates losing marks because their diagrams are poorly explained. However, the quality of diagrams continues to improve. The maxim that diagrams require full, relevant explanations still holds true. The diagrams should be adapted to the articles, giving, for example, “price per barrel of oil.” There are a number of candidates who choose to cut and paste their diagrams from websites. This is to be discouraged, but is permitted assuming the diagrams are sourced fully. Candidates should be encouraged to draw the diagram themselves to illustrate that they fully understand them and so they can use them in their final examinations. Some centres do not seem to be aware of the change in this criterion description (in 2006) that now states the use of diagrams be “highly effective” to achieve maximum marks.

### Criterion C

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

### Criterion D

As usual, this criterion was a good discriminator, allowing more able candidates to illustrate their economic knowledge and analysis. There were some very good examples, which gained full marks in this area. Those portfolios which were superficial either described rather than analyzed and/or included economic theory that was not related to the article. Paraphrasing the article was common by the weakest candidates. A useful technique to try and help weaker candidates with analysis can be to ask for a statement of what is the main point they are discussing early in the commentary.

### Criterion E

The quality of work produced by candidates in terms of evaluation was at approximately the same standard as previous years. Evaluation still remains the most difficult area to get full marks. Candidates need to evaluate the economic theory in the context of real-world examples, within their commentaries. It was a pleasure to see candidates not just evaluating at the end of each commentary, but throughout.

## Recommendations for the teaching of future candidates

The choice of article continues to be very significant. Better articles allowed candidates to explain the events within them using economic theory. It is important that teachers continue to include a front cover summary document (an example can be seen in the teacher support material) and a front cover for each commentary. Long articles should be highlighted.

If an article is not in the working IB language of the centre then a translation should be provided. This need not be of the whole article, but simply the relevant sections.

Centres should be vigilant to make sure that a candidate does not do two commentaries on a very similar topic.

As always, diagrams are an area that often lets candidates down. Although not always the case, the more diagrams a candidate used, the better they performed in both Criterion B and Criterion D, as diagrams helped them to analyse and apply their knowledge well. Diagrams should be explained in detail and referred to directly. Teachers are encouraged to introduce the internal assessment within the second half of the first term of the course. By this time, candidates will have a basic grasp of economic principles and should be able to find a suitable article to comment on. The first one can be used as a “practice” if necessary. If possible, produce a small booklet/handout all about the coursework, containing the official IB guidelines, the marking criteria, sample articles (good and bad), and perhaps exemplar portfolios and possible deadline dates for submission of extracts and commentaries to teachers for advice/comment. Encourage the reading of different possible sources from the start of the economics course, to get the candidates into the habit of “reading around” the subject and applying the knowledge they have gained to real life situations.

Teachers are reminded that candidates may submit a “first draft” and “final draft” of each commentary, but no more drafts.

It is vital that teachers carefully study the new syllabus, for first examination in May 2013, as the IA criteria are substantially different.

## Higher level paper one

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 3	4 - 7	8 - 9	10 - 12	13 - 15	16 - 18	19 - 25

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

Although it is unhelpful to stereotype candidates, this Paper seemed to cause them to fall into particular types in their approach.

Some candidates were diligent at describing and explaining what they had learned and so did well on the ten mark part (a) question but repeated the approach for part (b), not realizing the increase in skill levels appropriate to evaluation and analysis. This reflected an inability to reorder or interpret their learning in the light of the specific needs of the question. These candidates earned up to around 6 marks out of ten (top of Level 2) for part (a) but around 6 out of fifteen (bottom of Level 2) for part (b) too.

At the other extreme were very able candidates who could not successfully perform the lower order skills (such as following the command term “explain”) and so wrote a tangentially interpretative response for part (a) which was rewarded with a proportionally lower mark than part (b). Perhaps more attention should be given to interpretation of command terms in the classroom.

The standard of responses was generally weaker in timezone 1 than in timezone 2, particularly in the standard of essay writing, a skill in itself. Very few managed a convincing explanation of the theory of comparative advantage, and there were the usual problems with diagrams, considered below.

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

In timezone 1 there is a very wide range of responses and it seems that entire centres were either well prepared or they were not. In some centres, often those with Certificate entries only, the responses were full of everyday intuition with little or no use of the discrete vocabulary and conceptual framework of economics, as though the subject had not been taught to the candidate at all, in which cases they were completely unprepared.

At the other extreme were examples of very well prepared candidates from centres where teaching and learning is taken very seriously indeed. In particular, candidates from these centres had learned very successfully how to write about monopoly as a market structure (Q1(a)) and also AD/AS (Q2(b)). There was a will to engage with the more difficult and theoretical parts of the syllabus and a tendency to avoid development questions (Q4) for that reason. There was a degree of reluctance to commit to personal interpretation in response to the command term "evaluate," and a surprising lack of local examples.

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

Questions 1 and 2 were overwhelmingly the most popular questions, with few attempting question 3 and very few attempting question 4.

### Question 1

- a) Many candidates thought monopoly 100% of a market, yet few gave examples. Surprisingly, many could not draw a diagram correctly identifying abnormal profit. Many axis labels were given as P and Q rather than Price, Costs and Revenues, and Output. The core of the question was about barriers to entry and few could give examples or expand on what they might be.
- b) Few challenged the question by defining what is meant by economically desirable. Most saw the positive side of monopoly (natural monopoly and economies of scale) and consumer choice as a virtue of monopolistic competition. Many gave long accounts of allocative and productive efficiency, tangential as neither market structure is efficient in either. Some candidates took a stakeholder approach, which worked well. There were relatively few good diagrams showing long run equilibrium under monopolistic competition. Some avoided diagrams altogether. However, this was the best done component in the whole paper.

### Question 2

- a) Some candidates were confused by the preamble, not knowing whether it was part of the answer and whether points made had to lie within it. Others completely ignored it, referring to reasons for a fall in consumer spending that did not happen in 2008-9 but could do so theoretically, such as higher taxes or higher interest rates. Few got the idea of the wealth effect.

Some made the AD/AS diagram the reason for the fall in consumer expenditure, confusing the purpose of diagram, which was in any case not so obvious for this question. Some candidates did not produce a diagram for part (a) which was acceptable if a good explanation of factors was offered and reference was made to it in part (b).

- b) The AD/AS diagram could be used constructively here and many did so. Many ignored the external account completely as though the consequences of a fall in consumer spending has no effect on the exchange rate and trade. No doubt because of over-thorough revision of pre-learned responses, many candidates offered policy responses to falling consumer spending and started to evaluate them, rather than sticking to the consequences of the reduction in spending.

### Question 3

- a) It was hard to cover all four concepts (comparative advantage, specialization, free trade, welfare gains) evenly. Most candidates spent a lot of time explaining comparative advantage but had real difficulty sequencing its benefits through the other three concepts. There was some confusion of comparative with absolute advantage and there was a tendency to see it in terms of volumes and not values such as costs
- b) No two definitions of globalization were the same, though many were ingenious and reflected good classroom learning. There was some lack of academic underpinning for making any evaluative judgement on it, especially in the context of a developed country. Some tried to link the question to prepared responses on MNCs. Generally, this question did not attract strong responses because it was rather open-ended and candidates preferred to demonstrate their learning on either of the first two questions

### Question 4

- a) As pointed out above, there were very few responses to this question. A great deal depended on how the candidates defined market-led strategies. Some weaker candidates did focus entirely on a single domestic aspect such as the local effects of FDI or a single external strategy such as trade liberalisation. Very few candidates indeed had the breadth of vision to explain more than two strategies at any depth.
- b) Once again candidates tended to narrow the focus of their responses and to explain rather than compare the virtues of one or two market-led and interventionist policies. There was very little consideration of the disadvantages or drawbacks of either.

## Recommendations and guidance for the teaching of future candidates

The focus of exam preparation should be on the meaning of command terms, appropriate time allocation, accuracy of diagrams and encouragement to think of real world examples to illustrate points made. For diagrams, accurate labelling and internal consistency (e.g. MC crosses AC at its lowest point) are paramount. For the teaching of future candidates teachers should encourage candidates to see connections between textbook learning and real world events. Examination scripts often give the impression of a subject confined to the classroom in the manner of a dead language. This impression is not the case of course, but if candidates are to be risk takers as in the learner profile, they might consider breathing more life into their responses. Examples are signalled as an ingredient of the top achievement levels, after all.

### Further Comments

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

## Higher level paper two

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 3	4 - 7	8 - 10	11 - 14	15 - 17	18 - 21	22 - 30

### General comments

Over 95% of the respondents of the G2 form indicated that the level of difficulty of the paper was appropriate, whilst 81% considered it to be of a similar standard to last year's paper.

Some candidates continue to give pre-prepared answers to general topics as opposed to answering the specific questions asked. Candidates need to focus on the question and avoid the temptation to delve into explanations, which are not directly relevant to the question. Candidates should also be advised to define relevant terms as well as explain the economic theory underlying the topic as opposed to listing points.

Coordinators should continue to remind candidates not to use colours in diagrams, as scanning is done in black and white.

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

While many economic concepts like opportunity cost, inflation, and structural unemployment were thoroughly explained by many candidates, there were some areas of the programme that proved difficult for many candidates: In particular, terms of trade and income elasticity of demand appeared to be difficult for many.

Specific difficulties in this paper included:

- Drawing an accurately labelled diagram to illustrate a negative externality.
- Defining and explaining the terms of trade.
- Explaining income elasticity of demand.
- As mentioned in previous reports, the use of accurately labelled diagrams is important to assist in economic analysis. Diagrams need to be relevant to the question and have to be fully explained. Moreover, relevant economic concepts have to be accurately defined. In more broad terms, it is suggested that candidates be taught to understand the focus of the question and to integrate the following elements in their response:
  - Definitions
  - Explanations
  - Examples

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

Most candidates could explain concepts of opportunity cost, negative externality, structural unemployment and inflation. Candidates were well prepared to answer questions on these topics.

The overwhelming majority of candidates allocated their time appropriately between the three questions and were able to complete the paper.

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

### Question 1

Question 1 was a very popular question and was generally well answered. Most candidates could adequately define opportunity cost and could distinguish between free and economic goods whilst giving relevant examples. There was, however, a common confusion between free goods and public goods. While free goods share the characteristics of public goods due to their abundance and are thus non-rival and non-excludable, public goods are not free goods. This confusion stems from some candidates' misconception that "free" only means not sold for a price.

Many candidates have effectively used diagrams to answer this question. Many candidates have used PPC diagrams to illustrate scarcity and opportunity cost, and some candidates have used a vertical PPC to illustrate that the abundance of a free good entailed the absence of opportunity cost. Supply and demand diagrams were also used to illustrate economic goods – when an equilibrium price exists – as opposed to free goods where the supply exceeds demand at every price.

### Question 2

Question 2 was generally well answered. Most candidates have identified that a negative externality existed and have defined it correctly. Definitions of market failure were far less accurate.

Many candidates could correctly draw a negative externality diagram, but fewer candidates could explain the diagram to show understanding of the concept. There was also a common mistake with the diagram: Many candidates used MPC/Supply and MPB/Demand interchangeably when explaining a negative externality diagram. Whereas  $MC=Supply$  and  $MB=Demand$  in perfect competition, it is not the case in other market structures.

### Question 3

Question 3 was not well answered mainly because most candidates who have attempted this question did not specifically address the question asked. Most candidates could define structural unemployment and gave good real word examples, but instead of explaining how structural unemployment could persist despite high economic growth, they gave various solutions to the problem of structural unemployment.

Many candidates did not define economic growth.

**Question 4**

Question 4 was generally well answered. Candidates could define inflation and realized its various costs. Some candidates have simply provided a long list of costs, while others explained the costs as well as the underlying economic theory.

Some candidates seemed to think that inflation would necessarily entail the existence of an inflationary gap and based their answer on situations where output exceeded potential GDP. Another common mistake stemmed from candidates confusing movement along the AD/AS curves, with shifts of the curves, this confusion has led some candidates to incorrectly conclude that inflation would result in a leftward shift of the AD curve due to a decrease in consumption spending.

**Question 5**

Question 5 was a difficult question for most candidates who attempted it. Many candidates could not define terms of trade and seemed to confuse the terms of trade with trade balance, trade blocs or simply trade. Few candidates could answer the question asked.

An increase in the terms of trade, if caused by an increase in demand for exports and/or a decrease in demand for imports, would entail an improvement in the BOP current account balance regardless of price elasticity of demand of exports/imports. If, on the other hand, the cause is a decrease in supply of exports and/or an increase in supply of imports, then the price elasticity of demand is key to determining the effect on the current account.

While the question did not ask candidates to consider the causes of the change in terms of trade, many responses seemed to be assuming a change in terms of trade due to supply factors, and yet have failed to discuss PED.

**Question 6**

Question 6 was also somewhat difficult for candidates, because while most candidates could define income elasticity of demand, few could use this concept to answer the question. Most answers focused on the difference between inferior goods and normal goods or between normal goods and luxury goods and could not address the question.

Many candidates have also confused income elasticity of demand with price elasticity of demand.

## Recommendations and guidance for the teaching of future candidates

The recommendations and guidance remains largely as in previous reports.

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

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

In preparing candidates for examinations the following are key points:



- Defining key terms or concepts. An implicit understanding of a concept is not enough – an explicit definition or explanation is required to effectively answer a question. This session the concepts of market failure, terms of trade, and income elasticity of demand proved difficult for a number of candidates
- Cover the whole syllabus; candidates often use past papers as a guide to what will appear on current papers and when something appears that has not been questioned for a long time they are at a loss.
- Emphasis must be placed on the effective use of diagrams and examples. Diagrams are used to illustrate and explain the economic issue or concept being discussed. There must be in the response a discussion concerning the point of what the diagram is indicating, and how it is helping to explain the issue as presented in the question. Candidates are also encouraged to give relevant examples whenever possible.
- Practice is required to effectively answer these short answer questions. This will entail the development of candidate ability to read the question carefully, analyse what it requires and then to respond to this question in the given time. Candidates need to be taught to answer the questions, not just discuss structural unemployment/inflation *etc* because the concept is in the question. Also, candidates should remain focused on the question and not go off on tangents simply to fill space. The effective use of time is crucial for this.

### Further Comments

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

## Higher level paper three

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 8	9 - 16	17 - 23	24 - 30	31 - 37	38 - 44	45 - 60

### General Comments

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

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

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

Candidates must not be coached to answer evaluation questions by using a pre-learned answer. It is necessary to treat each question on its own, with careful consideration of the case study and the question, rather than deliver a list of standard approaches.

A shortcoming is for candidates to make rather sweeping statements about what will happen, without taking into account the *ceteris paribus* assumption and the wide range of possible outcomes of any particular economic policy.

In parts (b) and (c) where diagrams are often required, it is very important that candidates draw (dotted) lines to the relevant axes and use the points in their written explanations. All too often, the diagram and the explanation seem quite separate from each other.

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

This will be treated in the context of the individual questions

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

This will be treated in the context of the individual questions

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

### Question 1

This was the most popular question on the examination, with the vast majority of candidates choosing it.

- a) (i) One common reason for an inability to access both marks was a failure to note that demand is based on both willingness and ability of consumers. There was also a tendency to combine a definition of demand with a definition of consumption, by referring to demand as the demand for all goods and services, rather than demand within a particular market. Another shortcoming was to define the law of demand rather than demand itself.

(ii) This was well defined by the majority of candidates.

- b) The key word in this question is "under-provided", indicating to candidates that there is some form of market failure where the market fails to produce at the socially-efficient level of output. It was acceptable to use either a consumption or a production externality analysis.

Another approach was to explain that there is a low quantity of low-emission cars since the costs of production are high, making the price relatively high.

- c) This was generally well-answered, with the majority of candidates showing an increase in supply. It was not necessary to include three supply curves ( $S_{\text{original}}$ ,  $S_{\text{with tax}}$  and  $S_{\text{with half tax}}$ ) for full marks. However, it was important to note that a decrease in supply reduces the costs in production for firms as an explanation for the increase in supply.

A disappointing number of candidates explained that a fall in tax would result in an increase in demand (rather than quantity demanded), and showed this with a rightward shift in the demand curve. In fact, throughout the examination, there were many instances where candidates confused an increase in quantity demanded with an increase in demand.

- d) There was a lot of information in the text, with more than three policies mentioned. In fact, given the abundance of information in the text, it was virtually impossible for candidates not to use the information available.

In part (d) questions, it is possible for candidates to use the information from other parts of the question, and so in this case, candidates could further develop the discussion of tax reductions analysed in part (c) by evaluating the likely success of tax reductions. This might have been done through a discussion of elasticity of demand.

Weaker responses simply stated the possible policies but did not use economic analysis to show how they would be expected to achieve the goal of bringing cleaner vehicles to the road.

When attempting to evaluate the use of government policies, all too often candidates simply referred to the opportunity costs of such spending (or reduction in tax revenues) without identifying what these opportunity costs might be in the context of the Chinese case study.

The best answers tended to discuss (evaluate) each of the three proposed solutions and then provided an overall conclusion at the end of the answer.

## Question 2

- a) (i) This was not well-answered, with many candidates simply defining unemployment.
- (ii) As this is a rather uncommon term to have to define, a number of different explanations were acceptable, as long as candidates referred to some form of allocating mechanism.
- b) This was well-answered. Most candidates were able to draw the diagram with two Lorenz curves showing an increase in the equality of income distribution. Many candidates did not draw the diagram as a square. Marks were not deducted for this, but it reveals a lack of accuracy. Some errors occurred in the labelling, as would be expected. Common errors included mixing-up the two correct labels or neglecting a percentage sign. A more significant error was to label the axes with price and quantity.
- c) Candidates were expected to draw either a maximum price diagram (as noted in the text) or a subsidy diagram, to show that there was a government-regulated price for rice that might be below a market equilibrium. Most candidates were able to do this, and were then able to access the remaining marks by re-stating the latter part of the question.
- d) The question refers to “alternative policies” and these are explicitly listed at the end of the third paragraph. However, these were not the only possible policies that candidates could address in their responses.

Weaker answers looked very generally at policies that the Philippine government might adopt either to achieve economic growth or to reduce inflation, without focusing on the issue of poverty reduction. Another weak approach was to focus narrowly on the issue of focus prices.

Effectively, this was a question about ways of achieving economic development, and candidates who made this link and applied the concepts in the context of the Philippine example were successful in achieving top marks.

### Question 3

- a) (i) Most candidates were able to earn at least one mark on this question. However, many gave rather imprecise definitions, often referring to volumes of exports and imports, rather than values of exports and imports. Another weakness was to refer only to exports and imports, without clearly noting that it was a measure of trade in goods and services (or visible and invisible trade). It was not necessary to refer to income flows for full marks.

(ii) It is important to note that a definition of fiscal policy requires reference to both government spending and taxation. Furthermore, it is expected that candidates add one purpose of fiscal policy. Some candidates seem to think that interest rate management is a tool of fiscal policy.

- b) This was generally well-answered, with most candidates able to draw the diagram. Candidates failed to earn full marks if they did not actually refer to the data in the question, as instructed.

Most candidates were able to label the axes appropriately, though many simply wrote “inflation” and “unemployment” without indicating that both are rates, measured as a percentage.

Although marks were not deducted, a disappointing number of candidates drew a Phillips curve that did not intersect the horizontal axis (thus implying an infinite natural rate of unemployment).

- c) This was a challenging question, although there are clues given in the question. For full marks, it was necessary for candidates to recognise that to reduce a trade deficit, a country might want to bring about a fall in the value of its country in order to make exports more competitive and imports more expensive, and that clearly France cannot do this due to its membership in the Eurozone. There were many different points of confusion in responses, with candidates often focusing more on common trade policies, rather than the single currency.

- d) A vast number of candidates wrote reasonable, albeit pre-learned, discussions of supply side policies but neglected to refer to the issue of the current account deficit, as noted in the question.

Many also simply paraphrased the text, without explaining how the supply side policies would be expected to work.

**Question 4**

This was the most straightforward question on the paper, and the best handled by candidates.

a) (i) Very well-answered.

(ii) A number of different explanations were acceptable here. Candidates often gave anecdotes explaining the term rather than giving a clear definition, but most were able to access at least one mark with this type of approach. It should not be difficult to learn a straightforward definition for this key economic term.

b) It would appear that teachers are focusing more on labelling of exchange rate diagrams, as there was a notable improvement in accuracy this year. Most candidates were able to observe that a depreciation would occur if the central bank were to increase the supply of the currency, but a disappointing number of candidates confused an increase in the domestic supply of money (quantitative easing) with an increase in the supply of money on the foreign exchange market through the selling of the currency. Many candidates accurately explained depreciation as a result of the central bank lowering the interest rate, causing either a fall in demand or an increase in supply of the currency on the foreign exchange market.

c) This was well-handled by the majority of candidates, with most candidates showing an increase in aggregate demand as a result of an increase in consumption and/or investment. Some considered the effect on net exports as a result in the fall in the value of the baht.

Since the question asked for the effect on the Thai economy, it was necessary for candidates to address the change in both output and price level, and many neglected to provide a complete response. The consequence for the price level depended on the nature of the diagram that candidates had drawn.

d) Weaker responses focused on how the central bank could intervene, rather than whether it should intervene.

This was a question where a HL extension topic should really have been considered, and it was pleasing to see that many were able to employ the Marshall-Lerner condition appropriately.

Since, the key word in this question is “should” the central bank intervene, an obvious way to carry out evaluation was to make a decision about the desirability of intervention. This was well done when candidates were able to discuss the trade-offs experienced by authorities when trying to achieve a range of goals.

**Question 5**

a) (i) Many candidates neglected to include the term “real” in the definition.

(ii) Given that the text used the term “investment” in the context of investment in human capital, a number of different approaches to this definition were acceptable. Most candidates were able to define this appropriately.

b) Candidates who were able to explain/define a poverty cycle (a term which is on the syllabus) were able to do this question well. However, there were a number of rambling answers about poverty that did not address the cyclical trap associated with poverty. Many failed to specify how aid could interrupt a poverty cycle.

- c) Many candidates have correctly learned that economic growth differs from economic development, and most were able to access at least two marks on this question for an explanation of the difference. The examining team did not expect candidates to be able to illustrate the concept of development through a diagram, but it was expected that either actual growth or growth in potential output would be illustrated.

The labels on PPC diagrams are very important in being able to explain economic concepts. While the labels “Good A” and “Good B” are technically acceptable, it would be advisable for candidates to think about economic growth in somewhat larger terms, taking into account the much larger range of goods actually produced by an economy.

For example, the categories of consumer goods and capital goods are more appropriate for an entire economy.

Some candidates seem to think that a PPC shows where an economy will produce, rather than where it can produce. While the question did not ask for a distinction between actual growth and growth in potential output, there is clearly a lot of confusion about the differences in these terms and the way that they are illustrated. Unless this really interfered with the understanding of this particular question, marks were not deducted, but this should be an area of focus for teachers.

- d) Responses to this question were generally quite disappointing. There was far too much discussion about aid in general, with little awareness of different forms of aid shown.

Where they were able to distinguish between different forms of aid, there were still a disappointing number of candidates who considered foreign direct investment to be a type of aid.

Many answers veered towards non-critical paraphrasing of the text.

## Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous examiner reports at both the standard and higher level. Since the expectations have not changed, the advice remains the same.

- It may seem like obvious advice, but the full syllabus needs to be taught. Incomplete teaching of some sections of the syllabus will disadvantage candidates when they come to choosing their data response questions.
- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates might be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.
- In part (a) questions, candidates should be encouraged to write no more than two sentences.

- Candidates will also benefit if they compile a glossary of all the diagrams. It is essential that candidates are fully aware of the accurate labels for the different models.
- Most questions (b) and (c) require the use of a diagram, and these are generally all standard diagrams from the syllabus. Where diagrams are used in parts (b) and (c), candidates should be sure to use/explain the diagram by making references to the diagram in the response.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written. Now that economics exams are being marked electronically, it will help examiners if candidates provide the explanations for diagrams on the same page as the diagrams themselves. This can be done particularly in parts (b) and (c) if candidates start a new side of paper for each of these questions.
- All too often, candidates will use a correct diagram, but then fail to make use of the diagram in their explanation. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is now the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should no longer be encouraged. However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question. For example, a question about the market for the Thai baht should have as its y-axis label, "price of the Thai baht in another currency".
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling and between the different models used. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.
- Part (d) answers require candidates to apply and develop the economic theory that is relevant to the case study. It is not enough to simply mention the relevant theory; answers which reach the top band must illustrate that the candidate can clearly use/apply that theory. Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text.
- While examiners are observing much improvement, candidates must be reminded that to achieve top marks in questions (d), they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts. On the other hand, candidates might go too far in this regard. On this exam, there were many examples of responses that veered toward non-critical paraphrasing of the stimulus text.

- Candidates must be encouraged to consider what it is that they are being asked to evaluate. For example, on questions 1, 2 and 3 of this paper, candidates were asked to evaluate government policies. In this case, possible questions that the candidates might ask themselves include:
  - What is the intended outcome of the policies? (May be given in the question. If this is the case, then this should be the focus)
  - How are the policies expected to work? (this is the analysis step)
  - What might prevent the policies from working?
  - What are the advantages and disadvantages of the policies?
  - How will different stakeholders be affected by the policies?
  - How do the short-run and long-run effects of the policies differ?
  - What might be the unintended consequences of the policies?
  - How might the different “schools of thought” (market-oriented and interventionist) in economics view these policies differently?
- Often the question refers to a particular desired outcome (in Q2 – “to reduce poverty”; in Q3 – “to lower its current account deficit”; in Q5 – “in promoting economic development”). Thus, candidates must be sure that they focus on the effectiveness of the policy in achieving this particular outcome. Other outcomes might be addressed as a means of weighing up the consequences, but the focus must be on the one that is in the question.
- In question 4, the candidates are asked to consider a particular view that the central bank/government should carry out a particular policy. In this case, questions that the candidates might ask themselves include:
  - Why would the central bank be pursuing such a policy?
  - How is the policy intended to work?
  - What are the advantages and disadvantages of the policy?
  - How will different stakeholders be affected by the policy?
  - How might the different “schools of thought” in economics view this differently?
  - How do the short run and long run effects of the policies differ?
  - Ultimately, if the word “should” appears in the question, then this is a hint that the conclusion needs to state whether or not the policy should or should not be pursued.
- In question 5, the candidates are asked to evaluate the different forms of aid in promoting economic development. To do this, candidates need to discuss the advantages and disadvantages of different forms of aid, and come to reasoned conclusions about the way that these actually do promote economic development.
- It is always necessary to remember that for evaluation to be effective, it is necessary to make a reasoned and justified judgment regarding the information and this should be directed to the actual question and the case study.



- Theory provided in part (d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really engage with the case study, in order to be able to apply the theory.
- Teachers are advised to make sure that HL candidates are aware of the HL extensions topics, and encourage candidates to try to bring these topics into their discussions. For example, in this exam, the Marshall-Lerner condition was an obvious extension topic to bring into the answer.

### Further Comments

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

## Standard level paper one

### Component grade boundaries

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

### General comments

Compared to last year's paper the May 2011 paper was thought to be of a similar standard by the majority of teachers although 15% felt that it was a little more difficult. This may have been due to the wording of some of the questions which made it hard for candidates to fully understand what was required of them. For question 2 (b) it may not have been clear to candidates what was meant by 'the better' at the end of the question. In terms of the popularity, questions 1 and 2 were answered by the majority of candidates and question 4 was the least popular. There is still a clear distinction between the quality of responses from candidates who are familiar with the assessment criteria and those who are not.

Basic mistakes like not defining terms or not using and explaining appropriate diagrams makes a significant difference to the mark that can be achieved. Those candidates that appreciate the assessment criteria maximize their chances of achieving a high grade.

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

- The role of price in a market economy
- The effect of income tax on the supply side of the economy
- The difference between direct and indirect taxation
- The difference between the foreign exchange market and the money market
- The influence of a depreciation on the rate of inflation
- Market-led strategies
- Interventionist strategies

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

Many candidates showed a reasonable understanding of economic theory and were able to define terms relatively well and use the language of economics appropriately throughout their answers. The skill is in appreciating the depth to which the theory needs to be developed without getting sidetracked from the question. In this respect the direct effects are the most important and candidates who drifted into indirect consequences often failed to achieve a high mark. Diagrams were generally well labelled and used appropriately. However, they were often very untidy and in a significant number of cases they were not referred to in the text. There is little value in drawing a diagram if it is then not explained in the context of the question. Another criticism of the skill demonstrated by candidates is that a significant number do not focus their response on the actual question. These answers tend to be too descriptive and fail to evaluate the implications of the points they are making or the likelihood of these points occurring at all.

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

### Question 1

- a) This was a popular question although part (a) was not particularly well answered for a number of reasons. Many candidates clearly understood the difference between a market economy, a planned economy and a mixed economy and could explain reasons why the government would intervene in an economy. However, often the explanation of the role of market forces was disappointing. Candidates found it difficult to explain the role that price plays in such a system as an incentive to both consumers and producers and consequently their responses lacked credibility. The number of responses that were able to use a supply and demand diagram to illustrate resource allocation was extremely limited.
- b) A significant number of candidates became sidetracked with this question and focused solely on the different ways that the government can intervene to lessen the problem of environmental pollution. Although relevant to the question these candidates often remained in Level 2 of the assessment criteria, even when their response was extremely detailed. This was because they failed to develop the “extent to which government intervention will actually solve the problem”. Without reference to this it would be very difficult to successfully develop any evaluative comment. In addition, they often failed to address the key issue of the question, which is the extent to which market forces should be used to solve the problem. Few candidates fully explained that the market, when left alone, will not lessen environmental pollution and even fewer appreciated that some of the government methods of solving the problem can be considered as market based. For example many candidates wrote about trading permits without recognizing that this is actually attempting to integrate market forces into the resolution of the problem.

### Question 2

- a) Question 2 was the most popular and part (a) provided a good opportunity to score well as it was a straightforward explanation of how income tax affected both AD and AS. The question did not ask for the effect on the economy so candidates who went into depth about the consequences for GDP, inflation and unemployment were not rewarded in this section.

Most candidates were able to give very comprehensive answers regarding the effect on AD, showing a thorough understanding of the concept of demand management and the diagram that accompanies the analysis. However, candidates fared less well on the link between income tax and AS. In an attempt to make some comment many responses simply stated that because more is demanded the producers will supply more and so AS will shift. This has some value in terms of the accelerator theory but as this is a higher level concept the majority of candidates were not making such a sophisticated comment. Consequently they were simply confusing a shift in the AS curve with a movement along the curve. When the supply-side incentive effect of a reduction in income tax was omitted the candidate rarely rose above the top of Level 2.

- b) Although this question was popular, part (b) was actually quite difficult to answer. Not only was it vague in terms of the reference to “the better”, it was also expecting rather too much by considering both direct and indirect taxes. In addition there is a subtle undertone to the question that was often missed by candidates. It was not simply referring to the government using fiscal management to lower the level of taxation it was asking a more philosophical question about the role of government in a macroeconomy. Not surprisingly many candidates failed to deal adequately with all three of these issues, although there were many good answers that focused on just one or two. In the majority of cases candidates treated this question as one that was considering the effect on the economy of lowering taxation from a fiscal perspective. They built on the analysis from part (a) which meant they often neglected to mention indirect taxes but were able to achieve at least Level 3 by discussing the consequences in terms of the current state of the economy. Typically the discussion would focus on whether the economy was in a Keynesian or a Classical scenario and how the tax reduction would be bad in one situation and good in the other.

### Question 3

- a) This question was not attempted by many candidates although it was probably the most straightforward of all the questions asked. The candidates who knew the factors influencing the exchange rate and could use an appropriate diagram had a good opportunity to achieve Level 4. Some candidates only focused on the increase in supply or the decrease in demand and failed to appreciate that many of the influencing factors actually affect both. These candidates often remained in Level 3. The weaker answers did not fully understand the way that the foreign exchange market works and many of these candidates became confused between the money market and the foreign exchange market. They would write about increases in the domestic money supply affecting the value of the currency and these candidates would not rise above the bottom of Level 2.
- b) This question has appeared in one form or another many times over the years and some candidates had clearly prepared well for it. Many responses were able to analyse the effect on import and export prices and consequently the demand for exports and imports and then discuss the effect on the economy by using inflation as the potential detrimental factor. Even at standard level it could be expected that candidates will be able to consider the importance of elasticity in relation to the effect on the demand for exports and imports. They have studied this concept in microeconomics and teachers should be acknowledging the obvious application of this concept in their teaching of exchange rates. Candidates who gave weak answers in part (a) were usually unable to improve the quality of their answers in part (b) as their understanding of the topic was generally inadequate to transfer over to part (b).

**Question 4**

- a) This question was attempted by a minority of candidates and, on the whole, was very poorly answered. However, on balance, part (a) was generally answered much better than part (b) because some candidates at least had a reasonable understanding of what market-led strategies actually are. Those candidates did have the potential to achieve a good mark in part (a) because it was actually a very straightforward question. However these candidates were few and far between. Many candidates gave very superficial responses that failed to build a sound theoretical economic foundation of knowledge and consequently they often struggled to rise above Level 1.
- b) The majority of candidate who answered this question did not understand what was meant by interventionist strategies. More often than not they linked this type of strategy to developed countries intervening in the affairs of developing countries by giving foreign aid or loans. They would often go into significant detail about the different types of aid available and the advantages and disadvantages of each but were unable to be rewarded for this analysis. In addition many candidates linked multinational investment to an interventionist strategy rather than it being a market-led strategy.

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

As was mentioned in the report for this paper last year, one of the most valuable contributions that teachers can make in preparing candidates for this exam is to make them aware of the assessment criteria. Whether it is using model answers, marking other candidates' work or any other assessment for learning technique, candidates need to understand what is required of them before they go into the exam. As a bare minimum candidates need to know that all relevant terms should be defined accurately, that diagrams should be used and explained fully, that examples should be included to reinforce the point being made, that appropriate economic terminology and concepts should be developed throughout and that in part (b) there is a need to evaluate effectively. It is the professional responsibility of teachers to make sure that candidates who clearly have ability in the subject have the opportunity to demonstrate this talent in the externally examined component of the course.

In addition teachers should continue to guide candidates on how to improve the higher order evaluation skill. All too often candidates are relying on the long-run and short-run distinction, even if it is extremely contrived, when there are many other ways that they can develop the discussion. Candidates are introduced to the notion of positive and normative statements at an early stage of the course but still continue to make bold positive statements in their essays. They should be encouraged not to try and find an answer to the question being asked but instead be prepared to be more adventurous with their responses by trying to tease out possible outcomes depending on a range of conditions and situations. It is the quality of the point being made rather than the quantity of points being made that is important in part (b).

**Further Comments**

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

## Standard level paper two

### Component grade boundaries

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

### General comments

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

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

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

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

This will be addressed in the context of individual questions.

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

This will be addressed in the context of individual questions.

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

#### Question 1

a) (i) This question was generally well answered. However, a significant number of candidates omitted either the term sustained, relating to the increase, or the term general (average), relating to the price level. Some omitted both.

(ii) This question was generally very poorly answered, with the majority of candidates seemingly unaware of the meaning of the term, either in terms of national income accounting or in terms of current account calculation.

- b) Most candidates were able to show a shift of the supply curve to the right (downwards) and explain that a fall in costs for producers would lead to an increase in supply and a lower price. Weaker candidates wanted to show an increase in supply, but then shifted the supply curve upwards in order to do this, thus reducing output and raising price.
- c) The example in the article is a maximum price and the majority of candidates showed this correctly on their diagrams, indicated a shortage (excess demand), and explained that at the maximum price, demand would exceed supply. The most common error was for candidates to place the maximum price above the equilibrium price.
- d) This was a reasonably well answered question, with a good amount of material from the text on which to draw. Unfortunately many of the responses simply explained the advantages and disadvantages of different price controls, failing to evaluate them. Stronger responses tended to weigh up and compare the relative methods or to look at the short-run and long-run implications.

### Question 2

- a) (i) This question was generally well answered. However, a significant number of candidates omitted either the term sustained, relating to the decrease, or the term general (average), relating to the price level. Some omitted both.  
  
(ii) A well answered question, with the majority of candidates explaining that it was income that was not spent (present consumption foregone).
- b) There were a significant number of very poor diagrams offered here. Labelling was weak and candidates seemed to think that they could draw any wavy line and that it would do. In some cases, the drawing was so poor that the lines were regressive in places, such that time was going backwards. They also failed to identify the different stages of the business cycle on the diagram and/or in their explanations. This is a topic that obviously needs more careful coverage in a number of centres.
- c) Many candidates were able to show a shift of the AD (or  $AD_L$ ) curve to the left, explaining that this represented demand-deficient (or cyclical) unemployment. Surprisingly, a significant number of candidates drew a correct diagram, but then insisted that the unemployment was structural, whilst writing about falling domestic demand. A few candidates stated that the increase in demand for imports, over domestic products, indicated a change in the structure of the economy and so any unemployment was structural. If this was correctly explained, then it was fully rewarded.
- d) Unfortunately, a significant number of candidates used this question to write clearly pre-learned answers on fiscal policy, without using information from the text, of which there was a great deal. This tended to restrict candidates to Level 2 in the markscheme Levels of Response and so meant that the highest mark that could be achieved was 5 out of 8. Candidates must be aware that, without direct reference to the text/data, they cannot be rewarded beyond Level 2.

### Question 3

- a) (i) This was not well answered on the whole. Many candidates thought that it was related to the conditions that countries applied when they traded.  
  
(ii) There were some rather vague answers here. Most candidates were aware that it was to do with imports and exports, but many were unable to be exact about the definition. A simple statement that it is a measure of the flow of funds from trade in goods and services would have sufficed.

- b) Those who were familiar with the concept of the circular flow had little trouble with this question. However, it became clear that many candidates did not really understand the circular flow and the fact that exports are an injection. Because of this, they were unable to explain that falling net exports could lead to a reduction in the level of national income (aggregate demand).
- c) Stronger candidates explained that a depreciation of the exchange rate would lead to more expensive imports, cheaper exports, and most likely an increase in  $(X-M)$  and so a shift of the AD curve to the right, causing an increase in the average price level. The weaker candidates simply found this too difficult to understand and so fared badly. It tended to be an “all or nothing” question.
- d) This question was generally well answered and better candidates were able to make reference to the text/data and to evaluate the likely effectiveness of the central bank of Brazil’s reduction of interest rates. A common method was to weigh up the strengths and weaknesses of the policy and to come to a measured suggestion of the possible outcome and thus effectiveness. Some candidates emphasised the possible existence of time lags, inferred in the fifth and sixth paragraphs, and took a time period approach to their evaluation. Weaker responses simply discussed the possible theoretical effects of reducing interest rates.

#### Question 4

- a) (i) A well answered question, with most candidates aware that there are limits on the quantity (or value) of imports that may be imported into a country.  
(ii) Another well answered question, although a significant number of candidates failed to identify both willingness and ability to purchase.
- b) This was generally very well answered, both in terms of diagrams and explanations. The most common error was to show a shift of the domestic supply curve, rather than the world supply curve.
- c) The article relates to a subsidy for domestic producers in order to protect them from foreign car imports. Many candidates realised this and so showed a shift of the domestic supply curve to the right (downwards) on an international trade diagram, with a world supply curve. They then explained that a fall in costs for domestic producers would lead to an increase in domestic production of cars and a fall in the level of imports. As with the earlier domestic question, 1(b), weaker candidates wanted to show an increase in supply, but then shifted the domestic supply curve upwards in order to do this, thus reducing domestic production.
- d) This was the best answered of the part (d) questions on this paper. Many candidates went through the process of explaining the advantages and disadvantages of increased protection for the car industry and so the Australian economy and then attempted to weigh them up and to come to a measured conclusion relating to their arguments. The most obvious method of evaluation was to consider the possible differing effects on the Australian economy of the proposed increased subsidies against the reduction in tariffs. There were some very good responses in this area. As always, weaker candidates simply wrote a theory essay on the different types of protectionism, failing to use the text.

**Question 5**

- a) (i) The majority of candidates explained that corruption was an illegal activity involving the abuse of position (power) for personal gain.
- (ii) Many candidates did not seem to be familiar with this concept. Most realised that it was to do with being poor, but many could not explain that it is any logical circular chain of events, starting and ending in any one of the causes of poverty. There was not a single expected response, any suitable logical example was rewarded.
- b) The majority of candidates showed the maximum price correctly on their diagrams, indicated a shortage (excess demand), and explained that at the maximum price, demand would exceed supply. The most common error was for candidates to place the maximum price above the equilibrium price.
- c) Many candidates missed the link between oil deposits and factors of production and were therefore unable to see the connection to the PPC or, alternatively, the LRAS. In cases where they did draw a PPC, there was a tendency to put the quantity of oil on the x-axis and the price of oil on the y-axis!
- d) This was a generally poorly answered question. The majority of candidates failed to distinguish between growth and development and seemed to have little idea of why dependency on the production of a single commodity may have negative effects on economic growth, and so economic development, in a developing country.

It appeared that this area of the syllabus may not have been thoroughly covered in a number of centres and a number of candidates appeared to be answering this question as a last resort. There was little true understanding of development economics shown.

## Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous examiner reports at both the standard and higher level. Since the expectations have not changed, the advice remains the same.

- It may seem like obvious advice, but the full syllabus needs to be taught. Incomplete teaching of some sections of the syllabus will disadvantage candidates when they come to choosing their data response questions. This is especially the true in the case of development economics
- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates might be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.
- In part (a) questions, candidates should be encouraged to write no more than two sentences, so that they do not use up valuable time pointlessly.



- Candidates will also benefit if they compile a glossary of all the diagrams. Most questions (b) and (c) require the use of a diagram, and these are generally all standard diagrams from the syllabus. Where diagrams are used in parts (b) and (c), candidates should be sure to use/explain the diagram by making references to it in the response.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- All too often, candidates will use a correct diagram, but then fail to make use of the diagram in their explanation. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as ( $Q_1$  to  $Q_2$ ) or ( $AD_1$  to  $AD_2$ ) in their written work.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly, so that the information is clear to the examiner.
- It is now the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should no longer be encouraged! However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question. For example, a question about the market for the Indian rupee should have as its y-axis label, "price of the rupee in another currency".
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.
- While examiners are observing much improvement, candidates must be reminded that to achieve top marks in questions (d), they must make reference to the text. Encourage candidates to use quotation marks, or make references to the specific paragraphs or tables.
- Part (d) answers also require candidates to apply and develop the economic theory that is relevant to the case study. It is not enough to simply mention the relevant theory; answers which reach the top band must illustrate that the candidate can clearly use/apply that theory.

Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text. Teachers should instruct their candidates to take a few sentences to explain concepts that they bring up in their analysis for question (d).

In question 3 for example, candidates would often bring up a problem, such as an increased budget deficit due to expansionary fiscal policy, but would not give any explanation as to why an increased budget deficit is a problem. When this happens, candidates look as though they have simply memorized a set list of issues, but do not demonstrate any depth of understanding of the topic.

Another problem occurs if candidates use terms, but don't really understand them. For example, in question 4(d), where candidates were asked to evaluate protectionism, many candidates brought up concepts like deadweight loss, consumer and producer surplus, and consumer welfare, but had clearly just memorized this terminology with little understanding as to how to apply or explain it.

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

For evaluation to be effective, it is necessary to make a reasoned and justified judgment regarding the information.

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

### **Further Comments**

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