

ECONOMICS TZ2

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

Overall grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 13	14 - 25	26 - 39	40 - 53	54 - 64	65 - 77	78 - 100

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 11	12 - 21	22 - 35	36 - 48	49 - 61	62 - 73	74 - 100

Time zone variants of examination papers

To protect the integrity of the examinations, increasing use is being made of time zone variants of examination papers. By using variants of the same examination paper candidates in one part of the world will not always be taking the same examination paper as candidates in other parts of the world. A rigorous process is applied to ensure that the papers are comparable in terms of difficulty and syllabus coverage, and measures are taken to guarantee that the same grading standards are applied to candidates' scripts for the different versions of the examination papers. For the May 2013 examination session the IB has produced time zone variants of the Economics papers. Grade boundaries for the different time zoned papers are set separately, and careful judgments are made that are based on criteria for performance level, to account for differences in the papers.

Higher and standard level internal assessment

Component grade boundaries

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

Recommendations for IB procedures, instructions and forms

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

The maximum time lapse between the source article and the written commentary is one

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

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

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

The range and suitability of the work submitted

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

Candidate performance against each criterion

Criterion A

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

Criterion B

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

Criterion C

This criterion tests whether the candidate has recognized the appropriate economic issues from the chosen article. It is important to make links to the article, and not simply present some economic theory that is faintly relevant. Some candidates made very little reference to the articles, and a few did not understand the articles. A common fault was to choose articles

that were far too complex or dealt with issues not in the IB syllabus. Most candidates recognized the appropriate economic issues and scored well.

Criterion D

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

Criterion E

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

Criterion F

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

Recommendations for the teaching of future candidates

- The internal assessment should be an integral part of the IB course, not simply a set of homework assignments at the end of the course. The IA can be valuable to understanding the different parts of the syllabus and is especially important in providing examples that can be used in the externally assessed components. It is recommended that candidates read through their IA as part of their revision for the examinations.
- Centres should provide guidance in selection of suitable articles but the choice must be made by the candidate. Some centres used a very limited selection of sources and topics for their IA, which gave the impression the teachers had selected the articles. Teachers are reminded that they are allowed to give feedback on a first draft of the commentary but the second draft is considered final.

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

Higher level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 5	6 - 10	11 - 18	19 - 25	26 - 31	32 - 38	39 - 50

General comments

The introduction of a larger number of command terms has been a challenge for candidates. Candidates in many cases did not allocate time efficiently; particularly for part (a). Examiners were aware that candidates would not be able to replicate the kind of answer that has been typical of recent paper one responses where candidates had an hour to write a single essay.

A significant minority of centres felt that the paper is more difficult than last year, although a few felt it was easier. The overwhelming majority of centres (89.6%) felt that the clarity of wording of the questions was satisfactory or good.

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

Some candidates tried to write too much. Some ran out of time, so timing is an issue. The command terms were not always appropriately addressed. It seems that some centres have yet to take on board the new command terms being introduced by group 3 subjects. This is a more difficult exam for weaker candidates than was the case with the previous paper 1; this partly due to the need to be more aware of time but also because the development question to which weaker candidates would flee is no longer there. Candidates must now produce two essays, which are grounded in theory. Questions are, and will be closely aligned with the learning outcomes, which are the structure of the syllabus.

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

Good candidates were able to very effectively address all parts of the examination. There were some excellent examples of scripts where candidates had obviously planned their time carefully and were able to address each part of each question to great effect. Monopoly and perfect competition are well understood. Responses to Q3 where deflationary gaps were addressed produced many excellent responses.

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

Question 1

- (a) Was often very well done with candidates producing imaginative examples of diminishing returns at work. Most candidates were able to identify what decreasing returns to scale were. The time available did not permit detailed explanation of various sources of decreasing returns. Good candidates tended to provide a simple description accompanied by a well-labelled diagram for each of diminishing returns and also decreasing returns to scale. The distinction sought by the question being about time period and the presence of fixed and variable factors of production. A significant minority of responses got the two concepts back to front.
- (b) This was usually done well but candidates tended to write of the advantages and disadvantages of perfect competition and monopoly rather than specifically addressing the command term. Nevertheless there were many good accounts with candidates demonstrating an in-depth knowledge of relevant theory. Relatively few candidates made much of points of comparison such as the shape of the cost curves, or the shared desire to maximise profits and a common ability to make abnormal profits in the short run.

Question 2

- (a) This was probably the question that candidates found most difficult and it was the least popular. A significant number of candidates confused cross price elasticity with price elasticity of demand. The question was about complements and substitutes and the degree to which goods were related. Good candidates were able to easily apply appropriate theory and provide suitable examples. Examples are more emphasised by the new programme but, particularly in microeconomics, they are as likely to take the form of theoretical examples developed by the candidate as they are to take the form of real world examples that might be more suitable when discussing macroeconomic policy.
- (b) Many candidates struggled to identify the importance of YED for producers. Those that could provide an explanation of what YED was and who could relate to different markets as indicated by the question tended to score well. The basic point was that candidates were expected to be able to identify what the impact on sales might be of changes in income. Good candidates were able to use the concept of normal and inferior goods and services to develop a line of reasoning relating to how firms might have to alter output or change what they supply as incomes change.

Question 3

- (a) Many candidates did this question very well. There were a large number of sophisticated and very well developed responses to this question. Candidates tended to get straight to the point and define monetary policy and indicate what a deflationary gap was on a diagram. The explanations of how the gap might be closed by reducing interest rates and the subsequent effects on aggregate demand were usually very satisfactory.

A change to the command term was posted to centres; examiners were instructed to make allowances for the use of either the revised or the original command term. It

seemed to make no difference to the responses that candidates provided. The amendment to the command term was deemed necessary as the corresponding learning outcome in the guide featured an AO1 command term. Therefore, it was not appropriate to set a question using an AO2 command term. It should be noted that AO1 command terms can be used in part (a) questions. Page 79 of the economics guide states: “Questions may be from the same classification as specified in the learning outcomes, or a less demanding command term from a lower classification. For example, if the command term in the learning outcome is “explain”, which is classified as AO2, an examination question could contain the command term “explain” or another command term, such as “suggest”, which is also classified as AO2. Alternatively, the examination question could contain a command term from AO1, such as “describe”. However, a more demanding command term, such as “evaluate”, from a higher classification (AO3 in this case), cannot be used.”

- (b) This part of the question was generally well done and candidates showed that they have generally been taught this part of the syllabus very well. Weaker candidates struggled to say why an economy might remain stuck in a deflationary gap in the Keynesian analysis of macroeconomic equilibrium, it was sufficient to identify that wages might not fall and therefore equilibrium at full employment might not be the outcome. Most candidates were secure in their explanations of why the neoclassical model is self-correcting.

Question 4

- (a) Candidates were generally secure in being able to identify what labour market reforms are and could usually provide suitable examples. There was a tendency to emphasise free market reforms, such as the removal of minimum wages. A majority of candidates could establish a link between such reforms and reductions in costs for industry and therefore growth.
- (b) There were a large number of very good responses. It was very pleasing to observe the skill with which good candidates could weave between supply-side policies and the demand-side. The question specifies market based supply-side policies and this distinction was not always observed, a lot of candidates responded simply to supply-side policies in general. This did not detract much from responses, as they tended to cover the right ideas. Most candidates could identify downsides to both sets of policy and there were a significant number of well-considered arguments offered.

Recommendations and guidance for the teaching of future candidates

- Candidates should be reminded to carefully allocate time so that the exam is completed. Ideally use half the time for each question.
- Address the command term.
- Consider the learning outcomes and use them as a source of lesson objectives.

- Practice timed questions in class.
- Encourage candidates to peer review their own work using different command terms.
- Encourage candidates to access appropriate news media on a regular basis to improve their ability to apply suitable examples to questions.

Higher level paper two

Component grade boundaries

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

General comments

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

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

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

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

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

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

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

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

Question 1

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

1(a)(i)

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

1(a)(ii)

Again, this was a straightforward term to define.

1(b)

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

1(c)

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

1(d)

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

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

Question 2

2(a)(i)

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

2(a)(ii)

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

2(b)

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

2(c)

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

2(d)

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

Question 3

3(a)(i)

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

3(a)(ii)

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

3(b)

The majority of candidates recognised that the most appropriate diagram to illustrate changes in the distribution of income was the Lorenz curve diagram. There was a good number who did not accurately label the axes, or who mixed up the two axes labels. Many neglected to label the diagonal line. Not much was required in the explanation other than saying that higher incomes for lower-income people might result in a more equal distribution of income.

3(c)

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

3(d)

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

Question 4

4(a)(i)

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

4(a)(ii)

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

4(b)

This was a straightforward question asking for a well-known model. It was generally well done. One rather common error was to shade an incorrect welfare loss triangle.

As usual, some candidates mixed up the curve labels. A very small number of candidates drew a negative externality of consumption diagram. This earned no diagram marks, though they might have been able to earn a mark for the explanation.

4(c)

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

4(d)

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

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

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

Recommendations and guidance for the teaching of future candidates

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

- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates might be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.

- In part (a) questions, candidates should be encouraged to write no more than two sentences.
- Many part (b) and (c) questions require the use of a diagram, and these are generally all standard diagrams from the syllabus. Candidates would thus benefit if they compiled a glossary of all the diagrams. Where a diagram is used in parts (b) or (c), candidates should be sure to use/explain the diagram by making references to it in the response. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should not be encouraged. However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question.
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in part (b) and (c) questions. They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.
- Candidates must be reminded that to achieve top marks in part (d) questions, they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts.
- Answers to part (d) questions also require candidates to apply and develop the economic theory that is relevant to the case study. It is not enough to simply mention the relevant theory; answers which reach the top band must illustrate that the candidate can clearly use/apply that theory. Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text.
- Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...' Each of the command

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

- Theory provided in responses to part (d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really 'engage' with the case study, in order to be able to apply the theory.
- Examiners are concerned at the extent to which candidates are uncritically paraphrasing the texts in their answers to part (d) questions. Candidates should be encouraged to think critically about the information in the text and challenge the viewpoints held by the authors or people quoted in the articles. Candidates often seem oblivious to the source of the information in the text, missing an ideal opportunity to do some evaluation.

Higher level paper three

Component grade boundaries

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

General Comments

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

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

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

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

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

Other areas of difficulty were:

- Explaining the reason why governments might calculate core inflation
- Explaining why a firm might choose to remain open in the short run if price rests between the break-even and shut down price
- Calculation of a percentage change in real GDP

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

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

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

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

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

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

Question 1

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

(e & f) Generally well done

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

Question 2

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

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

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

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

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

Question 3

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

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

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

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

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

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

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

Recommendations and guidance for the teaching of future candidates

- Remind candidates to follow instructions – show workings, use appropriate units, round to 2 decimal places.
- Ensure that candidates have covered the learning outcomes specified in the subject guide.
- Give greater emphasis to the mathematical relationships inherent in economic theory (such as that relating to the divergence of supply curves and changing elasticity along a straight line demand curve).
- Remind candidates of the specific meaning of command terms such as “explain” and “sketch”.
- Provide candidates with practice at the calculation of “areas” on market diagrams, such as tax revenue, consumer surplus.
- Provide practice at the calculation of a price index and the use of a deflator to calculate real income.
- Provide practice at calculating elasticity from revenue/cost schedules.

Standard level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 5	6 - 10	11 - 17	18 - 23	24 - 29	30 - 35	36 - 50

General comments

Many candidates make the mistake of writing too much in response to part (a) questions at the expense of their responses to part (b) questions.

Some candidates do not pay attention to the question asked, and produce general responses, for example, about the advantages and disadvantages of demand-side policies, or the different types of unemployment ignoring the specific demands of the question.

Diagrams are not always used effectively. Some candidates use relevant diagrams, but do not explain them, others use a diagram related to the topic, but not necessarily to the question asked, and some candidates do not use a diagram at all.

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

- Common access resources
- Difficulties of measuring unemployment

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

- Price controls
- The costs of unemployment
- Demand-side policies

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

Question 1

- (a) This was a very popular question, attempted by most candidates and generally well answered. Most candidates were able to define price ceiling and price floor. Correct diagrams were usually used and the ensuing shortage or surplus was explained. While few candidates gave specific examples, most were able to show an adequate

understanding of the relevant concepts and the demands of the question. Few candidates were confused about the extent of the shortage or surplus and shaded areas of triangles, instead of indicating the difference between quantities demanded and supplied.

- (b) This part was not generally well answered, with many candidates confusing stakeholders with shareholders. Some candidates have also repeated a lot of what was already mentioned in part (a) instead of focusing on the effect on various stakeholders. There were some good answers however, with good explanations of the consequences of price controls on consumers, producers and the government. Better answers, identified the effect on producers in other countries in the event of dumping.

Question 2

- (a) This question was not well answered by many candidates. Many of the candidates who have attempted this question did not explain how price mechanism can allocate resources, or how its absence would cause an overconsumption. Candidates wrote generalized answers about how common access resources would be depleted because they were free. Few candidates thought that the resources are non-excludable and non-rival and not just non-excludable.
- (b) This part was better answered, but overall this question was attempted by weaker candidates, so the responses in part (b) while still better than part (a) were not very good. Most candidates were able to correctly recognize that fossil fuels caused a negative externality and were able to draw a negative externality diagram. Few candidates have explained the diagram though. Most candidates were able to explain that the tax would raise the price and decrease the quantity demanded. Some argued that the tax would not be very effective due to the low price elasticity of demand of fossil fuels. Some candidates just focused on the effect of the tax and failed to address the question of why it could be considered 'the most effective' government response.

Question 3

- (a) Many candidates did not understand the demands of the question. A large number of responses defined unemployment and then went on to enumerate the various types of unemployment, hardly addressing the question asked. Some candidates have identified relevant concepts, such as hidden unemployment, but failed to explain how hidden unemployment makes it difficult to measure unemployment.
- (b) This part was generally well answered. Most candidates were able to explain the various costs of unemployment especially the social costs. Weaker responses did not go beyond the costs to the unemployed and their families and the wider cost to society in terms of higher crime rates. Few candidates have also addressed the economic effect of a lower aggregate demand due to reduced consumption spending by the unemployed, the strain on the government budget due to lower taxes and

unemployment benefits as well as address possible conflicts with other macroeconomic objectives like price stability.

Question 4

- (a) This was a very popular question and was generally well answered. Most candidates were able to define economic growth and explain labour market reforms. Many candidates drew a diagram showing a rightward shift in the aggregate supply – not all shifted the long-run aggregate supply though. The quality of the explanation as to why labour market reforms could lead to economic growth varied across candidates.
- (b) Most candidates were able to explain both market-oriented supply-side and demand-side policies. Many responses focused on the advantages and disadvantages of each instead of answering the question asked and focus on their respective effect in promoting economic growth. Better candidates were able to address the short-run and long-run effects of the policies and some have used relevant examples, like the responses to the recent economic crisis, to validate their claims.

Recommendations and guidance for the teaching of future candidates

Candidates should be taught to:

- Read the question carefully and answer it in a concise manner.
- Explain the relevant economic theory and use and explain diagrams that can help answer the question.
- Use specific/real world examples to show an awareness of application of economic theory.
- Manage the exam time effectively. Candidates need to practice 45-minute questions to learn how to adequately divide the time between part (a) and part (b), and then practice the entire paper.
- Candidates need to be reminded that scanning is in black and white, so they should not shade areas in different colours and then refer to them in their explanations, as examiners cannot see the colours.

Standard level paper two

Component grade boundaries

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

General comments

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

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

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

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

This will be addressed in the context of individual questions.

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

This will be addressed in the context of individual questions.

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

Question 1

1(a)(i)

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

1(a)(ii)

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

1(b)

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

1(c)

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

1(d)

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

Question 2

2(a)(i)

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

2(a)(ii)

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

2(b)

There were two approaches here. Most candidates showed a shift of the AS curve to the left and explained that increased wages would increase the costs of firms, reducing output in the Chinese economy. However, others showed a shift of the AD curve to the right, explaining that the increase in wages would lead to an increase in incomes and thus consumption, leading to an increase in output in the economy. Weaker candidates tended to shift the curves the wrong way, especially the AS curve, reaching an incorrect conclusion.

2(c)

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

2(d)

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

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

Question 3

3(a)(i)

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

3(a)(ii)

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

3(b)

Better candidates explained how the price mechanism works and then further explained that it might lead to a more efficient allocation of resources, by satisfying the needs of buyers and sellers or bringing the market closer to the socially optimum level of output. Some candidates used a supply and demand diagram to explain the price mechanism and/or took a social surplus approach to explain the efficient allocation of resources, but a diagram was not necessary for full marks. A worrying number of candidates did not seem to be aware of the term price mechanism and this is a concept that might well need attention in some centres.

3(c)

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

3(d)

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

Question 4

4(a)(i)

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

4(a)(ii)

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

4(b)

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

4(c)

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

4(d)

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

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

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

Recommendations and guidance for the teaching of future candidates

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

- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all

assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates might be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.

- In part (a) questions, candidates should be encouraged to write no more than two sentences.
- Many part (b) and (c) questions require the use of a diagram, and these are generally all standard diagrams from the syllabus. Candidates would thus benefit if they compiled a glossary of all the diagrams. Where a diagram is used in parts (b) or (c), candidates should be sure to use/explain the diagram by making references to it in the response. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is the policy that candidates are not allowed to use coloured pens/pencils on their exams, so this should not be encouraged. However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question.
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in part (b) and (c) questions. They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram.
- Candidates must be reminded that to achieve top marks in part (d) questions, they must make reference to the text. Encourage candidates to use quotation marks, or make references to the paragraphs or texts.
- Answers to part (d) questions also require candidates to apply and develop the economic theory that is relevant to the case study. It is not enough to simply mention the relevant theory; answers which reach the top band must illustrate that the

candidate can clearly use/apply that theory. Candidates need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text.

- Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...' Each of the command terms has an explanation of the term in the syllabus guide and candidates and teachers need to be aware of these.
- Theory provided in responses to part (d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really 'engage' with the case study, in order to be able to apply the theory.
- Examiners are concerned at the extent to which candidates are uncritically paraphrasing the texts in their answers to part (d) questions. Candidates should be encouraged to think critically about the information in the text and challenge the viewpoints held by the authors or people quoted in the articles. Candidates often seem oblivious to the source of the information in the text, missing an ideal opportunity to do some evaluation.