

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 - 12	13 - 25	26 - 39	40 - 51	52 - 64	65 - 76	77 - 100

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 13	14 - 27	28 - 41	42 - 51	52 - 63	64 - 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 2014 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

This was the second May session for the new syllabus and most centres have adapted well to the new criteria. However, there were a few exceptions. Overall the standard was good, although a few candidates were hampered by their use of English. Some centres produced

excellent work. A few centres prepared their candidates inadequately, and some were either unaware of the assessment criteria or were hugely generous in the marks awarded to their candidates. In one case a candidate was awarded a maximum of three marks for the use of diagrams when there were no diagrams present.

A number of centres did not accurately complete the 3/CS form. Centres should 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. If a commentary is longer than 750 words the moderator will stop reading at 750 words so the candidate could lose marks from their analysis and evaluation. Some centres and candidates have not adjusted to the requirement that footnotes are only used to provide references, but not for definitions. Specific definitions are not required: the important thing is to demonstrate that the terms are understood and used accurately.

It is important to carefully follow the rubric requirements. Many candidates lost a mark under criterion F because they did not provide a summary portfolio sheet with details of the sources, syllabus sections, the date commentaries were written and word counts. It is advisable to give the full URL (web address) of the articles. Articles should be complete, and the parts that the commentary is focusing on should be highlighted. If an article is in another language the candidate must provide a full, clear translation. Completing the front page section “Titles and dates of work” of the 3/CS form does not replace a summary portfolio sheet.

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. Some teachers marked on the scripts with red pen, which can create confusion if portfolios during moderation.

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 moderating factor for the centre.

Candidate performance against each criterion

Criterion A: Diagrams

Most candidates included relevant diagrams but these were not always explained well. Too many simply copied generic graphs from textbooks or internet sources without making them specific to the commentary. It is preferable that candidates create their own graphs, either by hand or using computer skills. If candidates have copied graphs they must give the source. Please note that the criterion descriptor assesses whether the candidate “is able to construct and use diagrams” so copy/paste diagrams will not achieve maximum marks. Candidates

should avoid very lengthy descriptions of graphs, especially where these are generic graphs which have been copied. Some candidates made reference to colours on their graphs but then sent portfolios printed in black and white.

Criterion B: Terminology

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

Criterion C: Application

This criterion tests whether the candidate has recognized the appropriate economic issues from the chosen article. It is important to make links to the article, and not simply present some economic theory that is barely 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 achieved high marks.

Criterion D: Analysis

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

Criterion E: Evaluation

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

Criterion F: Rubric requirements

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

The descriptor about “different and appropriate sources” was designed to avoid candidates choosing excerpts from books, tutorial guides, government reports or personal blogs. A number of online media now include opinion columns which are technically “blogs” but these are acceptable if they are in a recognized news media source.

Recommendations for the teaching of future candidates

- The internal assessment (IA) 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 that teachers had selected the articles. Teachers are reminded that they are allowed to give feedback on a first draft of the commentary but the second draft is considered final.
- **A few centres, or candidates, did not appear to have produced a first and subsequent final draft of the commentaries.**
- It is important to stress the potential consequences of 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.
- It is also necessary to remind teachers against providing too much assistance to candidates. It is part of the candidates' task to find and analyse the article: this should not be done by the teacher. In at least one centre all candidates submitted commentaries based on the same articles. Articles must not be given to the class by the teacher, and the production of the commentary must be each candidate's individual work.

Higher level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 6	7 - 13	14 - 20	21 - 26	27 - 33	34 - 39	40 - 50

General comments

The paper appears to have been a little more accessible than last year. The overwhelming majority of centres felt that the paper was at the appropriate level of difficulty. There seemed to be satisfaction with the paper amongst the responses submitted, with very positive replies given for the clarity of the wording. Many comments indicated that it was felt that this was a fair and accessible paper. The use of specific examples in questions was often commented upon positively but some centres felt that this made questions too specific.

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

Candidates struggle to use specific examples, though the demand in the level descriptors for their use is proving to be a good discriminator between candidates. Clearly not all questions present opportunities to use real world examples. Diagrams seem to be deteriorating once more and many candidates label macroeconomics diagrams as though they were microeconomics.

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

Candidates demonstrated an excellent knowledge of the theory of the firm and were able to identify allocative and productive efficiency in the majority of cases. The impact of interest rates is well understood with better candidates able to construct quite sophisticated responses to question 3(a). There were some very good evaluations of the merits of monetary policy. The theory of market failure is also obviously well taught across centres though as noted above the diagrams are sometimes mislabelled.

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

Question 1

- (a) A popular question and one that was usually well done in part (a). Most candidates could apply an appropriate diagram; the most common error was to mislabel the potential welfare gain. The majority of responses were able to identify suitable private and external benefits. Lower achieving candidates wrote all they knew about the topic with insufficient application to the question.
- (b) Most candidates favored the use of subsidies in one form or another. Other options included direct provision by the state and support for individual scholars, not many candidates were able to identify specific systems in place around the world. The level of evaluation was variable although better candidates were able to adapt theory effectively to the question. Lower achieving candidates tended to repeat points and tended not to make effective links to the question.

Question 2

- (a) This question was less popular but part (a) was usually very well done. Allocative efficiency and productive efficiency were well understood by the majority of candidates and most were able to draw appropriate diagrams to indicate them. Clearly this topic is well taught across centres. A few candidates confused monopolistic competition with perfect competition.
- (b) This part of the question was usually done reasonably well but there were quite a few candidates who wrote about the relative merits of the two with insufficient application to the question as posed. Clearly there were those who did not know the difference, but there seemed to be less confusion between the two than has been seen in the past, where only one of the two was present in the question, and candidates proceeded to demonstrate confusion between monopolistic competition and monopoly.

Question 3

- (a) This was the more popular of the questions in this section. There were few candidates who could not successfully respond to this question. Good candidates were able to identify impacts on individuals and industry and to translate these into impacts on aggregate demand. The more industrious candidates developed links to the exchange rate. A few candidates seemed to confuse investment in capital in firms with portfolio investment in stocks and shares.
- (b) This may seem a potentially narrow question if one sticks solely to monetary policy. However, this was the best approach and there were many excellent responses where candidates were able to bring in recent monetary policy history in various countries as examples. Many candidates, however, did go for the much broader

approach of evaluating monetary policy in terms of potentially more desirable alternative policy measures. This was effective provided a suitable balance was obtained where monetary policy was the main focus of the evaluation.

Question 4

- (a) This was the least popular question on the paper based on the sample reviewed although it was usually well attempted. Responses provided evidence of few difficulties in identifying two factors that might lead to economic growth. A suitable diagram in the form of an aggregate demand and supply diagram was normally supplied.
- (b) This was a particularly open question. Good candidates tended to look at sustainability, market failure, standards of living and equity in the distribution of income and wealth. Much has been made in the press recently of debate regarding fair distribution of income and wealth. Good candidates were able to take this very much to heart and produce well reasoned responses with an excellent use of appropriate examples.

Recommendations and guidance for the teaching of future candidates

- Encourage candidates to focus on examples; candidates should utilize the work they do for their internal assessment to provide some of the examples that they may use for this examination. Encourage candidates to access appropriate news media on a regular basis to improve their ability to apply suitable examples to questions. If candidates maintain a diary of suitable current events pertinent to the course they would be in a better position to apply examples in the final examination.
- Encourage candidates to take care when constructing diagrams. They should be clearly labelled and suitably explained. They must also be clearly relevant to the question. Candidates continue to draw diagrams that are left unexplained. It is perfectly reasonable to utilize a diagram drawn for part (a) and then use it again in part (b). Some candidates waste time by reproducing exactly the same diagram for part (b) as was provided for part (a).
- Emphasize time management; many candidates seem to distribute time unsuccessfully between the two questions. Candidates should be reminded to carefully allocate time between evenly between the two questions.

Higher 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 - 22	23 - 27	28 - 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 and of a suitable degree of difficulty.

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

- (a)(i) Most candidates were awarded at least one mark in this question for referring to rising prices. For full marks, some reference to the fact that the economy was working beyond potential output, or full employment output, was required.
- (a)(ii) This term was not very clearly defined by most candidates. It is important that candidates can define all the components of the balance of payments.
- (b) This question was generally reasonably well-answered, as most candidates were able to identify that the demand for oil is inelastic and give a reason for this. For full marks,

it was necessary to make the link to import expenditure. Far too many candidates use imprecise or incorrect language when discussing elasticity. Common errors include:

- Stating that oil is inelastic (rather than the demand for oil is inelastic);
 - Stating that an increase in price will lead to a larger decrease in demand (rather than decrease in quantity demanded);
 - Stating that an increase in price leads to a big decrease in quantity demanded (rather than a proportionately larger change in quantity demanded).
- (c) The markscheme identifies several possible points that could be explained. Many candidates continued to focus on the demand for oil, rather than noting the implications of rising aggregate demand. Even though the question clearly asks for two reasons, many candidates only explained one, or did not make an effort to explicitly explain two reasons. Where a question asks for two points, candidates should make it obvious that they are explaining two points.
- (d) Candidates who recognised the key theory associated with policies to reduce a current account deficit (expenditure switching, expenditure reducing and supply-side policies) were able to structure a good answer and include appropriate synthesis. Some candidates alluded to these types of theories, but did not explicitly name them as such. Many candidates asserted that contractionary policies would reduce the current account deficit, but did not explain how this would work. Some candidates seemed to think that financing a current account deficit (e.g. by borrowing) was the same as reducing a current account deficit.

As is the case with all part (d) answers, generic answers that present the theory without putting the theory into the actual context of the text/data, do not achieve marks beyond level 2. This was a particular problem with this question, where candidates did not consider the particular circumstances facing Turkey.

Question 2

- (a)(i) A significant number of candidates defined *financial investment*.
- (a)(ii) This question was very well answered, with the majority of candidates managing to refer to lower opportunity costs.
- (b) Candidates seem well-prepared to draw an economies of scale diagram, though there were inevitable errors or omissions with labelling. A common error on this question was to explain economies of scale as falling costs of production, rather than falling average costs of production.
- (c) This question was generally well-handled, with the majority of candidates identifying the correct model to use to explain the effect of a subsidy on imports. Relatively few candidates drew the simple subsidy diagram without the world supply (or Australia

supply) curve. A great many candidates wasted time by explaining all the effects of the subsidy, rather than simply using the diagram to explain the effect on imports from Australia. Some candidates erroneously explained that the price would fall from a domestic equilibrium price (without a subsidy) to a new price with imports from Australia. Many candidates inaccurately labelled the horizontal world supply (or Australia supply) curve.

- (d) A large number of candidates seemed not to have read the question carefully. This was evident because their responses included long explanations and an evaluation of all of the consequences of moving towards freer trade (effects on consumers in countries, governments, unemployment, inflation, *etc.*), rather than an analysis of the effects on Australian and Japanese producers. Effective discussion would be to disaggregate the producers into smaller categories.

Question 3

- (a)(i) Candidates seem to have been largely well-prepared for defining this common term, although there were also some vague responses.
- (a)(ii) A wide range of responses was acceptable for at least one mark.
- (b) In the past, candidates seem to have avoided answering any terms of trade question, but it seems that more are now capable of addressing this important topic. This question required candidates to combine information from two pieces of evidence to draw a conclusion. Where candidates were obviously aware that terms of trade is about the prices of exports in relation to the prices of imports (rather than the amount of exports and imports), they were able to correctly address the question. Since the prices of two of the country's main exports (coffee and cocoa) fell, while the price of the other main export (oil) rose, it was accurate to acknowledge that it was not possible to state what would have actually happened to the terms of trade. Some candidates only referred to the prices of cocoa and coffee, and neglected the change in the price of oil and thus could not receive full marks.
- (c) Most candidates drew an accurate diagram showing a fall in aggregate demand (AD) and explained that investment is a component of AD. Some candidates asserted that AD would fall, but did not explain why or how. A number of candidates incorrectly drew and explained a fall in short-run aggregate supply.
- (d) As noted in the markscheme, there are a number of barriers/challenges to economic growth and development noted in the text, and many candidates were able to extract these points from the text. To access the level 2 markband, candidates were required to analyse how these challenges actually acted as an obstacle to growth and development. The ability to distinguish between economic growth and development, rather than treat them as one and the same, was important.

Some candidates delivered pre-learned essays on strategies to overcoming these barriers, which was clearly not the actual question.

Question 4

- (a)(i) This question was generally very well answered, although lower achieving candidates continue to neglect the point that inflation refers to a persistent increase.
- (a)(ii) This is a good example of a question where candidates either knew what the term meant or they did not. Where candidates did not know the meaning of the term, there were some very imaginative attempts to define it.
- (b) The majority of candidates who attempted this question were successful in explaining that bed nets allow for a more productive labour force and therefore an improvement in a factor of production and an outward shift of the PPC. Some candidates explained this well, but then illustrated a movement from one point inside the curve to a point nearer the curve.

Candidates who described and illustrated actual growth as movement towards a point closer to the PPC were credited, as long as the explanation matched the diagram. However, this was very rare.

Weaknesses related mainly to labelling, which included using micro or macro labels, or not labelling the actual PPC curves.

- (c) Many candidates were able to draw and explain a standard poverty cycle diagram, but most did not recognise that 'normal' rates of growth would not be sufficient to break the cycle, and that "higher economic growth" would be necessary. Some candidates were aware of some of the elements of the poverty cycle, but had not learned them properly, so included some questionable/illogical elements of a cycle.
- (d) There was a good range of responses to this question, with high achieving candidates providing analytical development of theory and good application to less economically developed countries.

A common weakness was to provide a pre-learned essay on the strengths and weaknesses of market-oriented policies, but with no link at all to the context of African economies, and with very little reference to the text. Candidates might have prepared an essay such as this for Paper 1. For example, many 'evaluated' the use of labour market reforms such as unemployment benefits and reducing the minimum wage and noted that these would cause worsening standards of living. This analysis is not very appropriate in the context of African economies, and was not mentioned in the text.

This topic is clearly laid out in the learning outcomes, and it would appear that candidates need more preparation in this area.

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 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. Since diagrams are meant to be dynamic (*i.e.* they illustrate a change to a situation) candidates should explain the reasons for any changes and use (dotted) lines to the axes and notation such as (q_1 to q_2) or (AD_1 to AD_2) in their written work.
- Diagrams should not be placed at the end of the answer booklet. 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 drawn neatly and that the information is clear. All curves/lines and axes must be labelled.
- 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. For

example, in question 2(c), many candidates provided far too much information about the effects of a subsidy.

- 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 text/data. It is not enough to simply mention the relevant theory; answers which reach the top level 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. For example, when discussing policies to reduce a current account deficit, it was not enough to simply refer to 'reducing domestic demand' as mentioned in the text. To do well, candidates needed to identify this as an 'expenditure reducing policy (application of theory) and then explain how expenditure reducing could actually reduce the current account deficit (development of theory).
- 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 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 text/data to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really 'engage' with the text/data, in order to be able to apply the theory.
- Candidates should be encouraged to use their time wisely by carefully choosing the questions they wish to answer. In order to do this, they need to read through all the sub-questions to determine which ones to choose. Much of this can be done during the five minutes of reading time. It is often the case that candidates start answering one question, even getting to part (c), before they abandon the question and start another. This is obviously a great waste of time.
- Candidates must be advised to read the question carefully. Question 2(d) on this paper is a good example, where countless responses analysed the consequences of freer trade for all stakeholders, where the question specifically referred to producers alone. Careful reading and planning of the part (d) questions must be encouraged. Candidates might be encouraged to re-read the question once finishing an answer to ensure that they have addressed the actual question set.
- From the G2 feedback responses, it would appear that in some centres, teachers believe that the questions on the data response paper will come only from Sections 3 and 4 in the syllabus. For example, there was concern that economies of scale is not

in Sections 3 or 4, so should not have been asked in this paper. However, this is not the case. Teachers may be confident that the extracts and part (d) questions will be based on Sections 3 and 4, but need to be aware that the rest of the questions are also likely to come from the micro and macro sections of the syllabus.

Higher level paper three

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 7	8 - 15	16 - 21	22 - 27	28 - 34	35 - 40	41 - 50

General comments

Many candidates did not recognise the need to provide more than a simplistic answer which states the obvious. For example “the expenditure approach adds up all expenditure while the income approach adds all the income”.

A surprising number of candidates neglected to provide numerical answers which were not exact “or correct to two decimal places”. Furthermore, the inclusion of the correct units of measurement (e.g. a \$ sign or “000 kg”) proved problematical for a significant number of candidates.

It was often the case that candidates would neglect to show that a change in a variable was, in fact, a decrease rather than an increase.

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

Diagrams were generally drawn accurately and labelled appropriately.

It appears that candidates found the paper more difficult than in previous sessions, with calculations of changes leading to a greater proportion of errors. Furthermore, the nature of the questions resulted in a significant number of penalties for rounding errors, failing to provide units and failure to distinguish a decrease from an increase.

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

Many candidates were unfamiliar with the effects of a change in the equations for demand and supply. A surprising number were unsuccessful in deriving the new equation for demand following an increase in demand. The majority of candidates answered that an increase in the “d” coefficient in the supply equation would lead to a steeper curve, rather than a flatter one. Although the majority of candidates recognised that if the constant in the supply equation decreases (by 200 000) then there will be a decrease in supply, many then described this as a downward shift in the supply curve.

Although most candidates were able to provide a definition of the price elasticity of supply, many struggled to apply the formula accurately.

In calculating the effect on consumer expenditure of a maximum price, many candidates failed to recognise that the quantity purchased would decrease, instead taking incorrectly the new, greater quantity demanded to calculate the new level of consumer spending.

Analysis of the multiplier process was problematical. Explanations that an injection into the circular flow brings about a successively smaller series of increases in income were quite rare. Illustration of the process via a diagram was also disappointing – most candidates simply drew an AD/AS diagram showing an increase in AD.

Difficulties were encountered in analysis of a tariff diagram. Some candidates treated tariff revenue as revenue earned by foreign corn producers. Analysis of the effects of a tariff on consumer surplus, and also on tariff revenue, producer surplus and the net welfare loss were generally not very strong.

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

Candidates generally appeared to be well-prepared for the manipulation of numerical data such as the calculation of the equilibrium price and quantity.

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

Explanations of factors influencing the price elasticity of supply and of the effects of a maximum price were generally good.

The calculation of GDP and per capita GDP was done well.

A good understanding of “green GDP” was demonstrated.

Calculation and application of the multiplier was done well via numerical examples.

Calculation of the unemployment rate and difficulties in its measurement were generally done well.

It was evident that candidates are generally well-practised at drawing tariff diagrams and measuring/calculating imports, domestic output and the values of tariff revenue, producer surplus and consumer surplus. Moreover, calculations of percentage changes in these values were generally performed in a logical manner, albeit with the final, rather than the original, figure often used as the denominator in calculations of percentage change.

The theory of protectionism, including the reasons for and the disadvantages of tariffs, were explained well.

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

Question 1

- (a) (i) Done well, although a small number of candidates summed all the variables to produce a total.
- (b) Apart from rounding errors, this was generally well-answered.
- (c) The majority of candidates merely described the process of summing expenditures and incomes, rather than relating this to the production of goods and services.
- (d) Generally well-answered, although lower achieving candidates referred to “green GDP” as “the value of the environment” or a similarly vague/incorrect answer.
- (e) Generally well-answered. The most common error was to use an incorrect formula (e.g. Multiplier = $1/1-MPW$).
- (f) (i) Generally well-answered. The major error was to multiply \$950 million by the value of the multiplier.

(ii) Most candidates were able to draw an AD/AS diagram showing an increase in AD. Relatively few drew a second, larger shift (or a series of ever-smaller shifts).
- (g) Many responses demonstrated a broad understanding related to an injection of government spending leading to greater increases in income. Only the highest achieving candidates explained that an injection into the circular flow brings about a successively smaller series of increases in income because spending by a firm/household/government creates income to others.
- (h) (i) Most candidates answered well, although there were some rounding errors.

(ii) The majority of candidates recognised two difficulties of measuring unemployment, although a significant number merely stated them. For example, “hidden unemployment” was often cited without any explanation. A number of candidates mentioned “seasonal” unemployment as a difficulty simply because of the seasonal nature of the employment, failing to recognise that the statistics may be seasonally adjusted.

Question 2

- (a) The calculations in parts (i) to (iv) were generally done well, with a significant number of candidates omitting the necessary units.
- (b) This straightforward question was generally answered accurately.
- (c) (i) The majority of candidates were able to calculate correctly, although a common error was to use \$7.20 as the initial price received by domestic producers.

- (ii) This question produced a very large proportion of rounding errors.
- (d) Many candidates mistakenly used \$7.20 as the price received by foreign producers following the tariff – on the assumption that the producer receives the tariff. It was also common for the change not to be identified as a decrease.
- (e) Candidates found this question straightforward and answered well.
- (f) (i) Candidates found this question straightforward and answered well.
 (ii) Few candidates answered this question well. Many assumed that the only fall in consumer surplus was that caused by the decrease in quantity demanded, neglecting the effects of the price increase on those who continued to purchase corn.

It was common for candidates to assume the intercept on the vertical axis was \$9, using this in their calculations. Correct application of this approach was fully rewarded.

- (g) Candidates who were familiar with the diagram were able to identify the idea that the loss in consumer surplus was partly offset by a gain in tariff revenue and producer surplus. Stronger candidates used the diagram effectively to illustrate this. However, the majority of candidates struggled with this question, focusing on the elasticities of demand and/or supply to justify their answer, or failing to respond.

Question 3

- (a) Both parts (i) and (ii) were generally well-answered. Even the lower achieving candidates were generally able to manipulate the equations and produce the correct responses, albeit with several failing to use appropriate units.
- (b) Responses were mixed, with many unable to amend the equation accurately. Responses of $Q_D = 884 - 6(P + 10\,000)$ were quite common.
- (c) (i) Very few candidates successfully recognised that the supply curve would become less steep. This is a clear area of weakness.
 (ii) It was common for candidates to recognise that supply would decrease, but then to argue that this would cause a downward movement of the supply curve.
- (d) (i) Most candidates were able to define term clearly, although lower achieving candidates settled for writing the equation, either numerically or in words.
 (ii) There was a very strong correlation between precise definitions for part (i) and accurate calculations in part (ii).
- (e) Generally well-answered, with vague/incorrect explanations from the lower achieving candidates.

- (f) Generally well-answered. It appeared that the majority checked their answer, which had been read from the diagram, by calculating the new Q_D and Q_S .
- (g) In calculating the effect on consumer expenditure of a maximum price, many candidates failed to recognise that the quantity purchased would decrease, instead taking the new, greater quantity demanded to calculate the new level of consumer spending.
- (h) Generally well-answered. Candidates were aware of the effect on price and availability, and for the need for non-price rationing method(s) and the possibility of a parallel market arising.

Recommendations and guidance for the teaching of future candidates

- Candidates should be reminded to show workings, use appropriate units and round correctly. It would be helpful if teachers could insist on rounding to 2 decimal places throughout the course, not just in assessment activities.
- Teachers should make candidates aware of the need for clear explanation of more complex concepts such as the multiplier process.
- Emphasize practice at plotting curves, calculating areas on a graph and calculating the effects of change (such as a tariff or quota).
- Greater focus is needed on the equation of demand/supply curves and their slope/position.
- Teachers should be aware that, in questions making use of graphs, a pre-prepared grid and scale may not always be provided. Candidates should be prepared to analyse graphs which either include or exclude a grid.

Standard level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 7	8 - 15	16 - 21	22 - 26	27 - 31	32 - 36	37 - 50

General comments

The paper worked well overall. This is the second year of the new format and centres seemed to be comfortable preparing candidates for answering two questions from the micro and macro sections of the guide. The responses from centres and from examiners suggested candidates had the opportunity to show how well they know and understand the material in the course.

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

Candidates found question 2(b) difficult and struggled to reach the higher levels of the assessment criteria. The application of income and cross elasticity of demand is an area which is quite challenging for candidates and their answers were often rather simplistic and lacked evaluation.

The answers to question 3(a) on the methods of measuring GDP were also a little disappointing. Candidates struggled with an area of the syllabus which was not extensively examined in the previous examination format.

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

Candidates performed particularly well in question 1(b) with candidates showing a good level of understanding of the market failure section of the guide.

It was also good to see well developed answers to question 4(b) with candidates effectively evaluating the use of fiscal policies to deal with the problem of recession.

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

Question 1

- (a) This was the most popular question in Section A and it was generally answered well. The answers to part (a) were, on the most part, quite good with candidates considering how different non-price factors like income, taste and the price of related goods to cigarettes could increase the demand for cigarettes. There was, however,

some confusion where many candidates said that a price reduction would increase demand when the theory is increase quantity demanded and many lost marks because of this. The highest achieving candidates used theory well here to support their answers with effective diagrams and examples. Lower achieving answers tended to be very general and offered vague reasons why the demand for cigarettes might increase.

- (b) There were many good answers to this question. Candidates showed a clear understanding of the market failure issues associated with cigarettes and discussed various policies to reduce the consumption of cigarettes like direct tax, regulation and negative advertising. It was also pleasing to see candidates evaluating the different policies by considering the problems of applying them and the affects they might have on different stakeholder groups. It would, however, have been good to see more people supporting their answers with examples. There are plenty of real world situations when governments have applied policies to reduce the demand for cigarettes, like the smoking ban in public places in the UK. The development of examples is certainly an important area that centres could work with their candidates on as they prepare them for future sessions.

Question 2

- (a) There were some mixed responses to this question. Elasticity is quite a technical aspect of the guide and if you do not know the material well they will make mistakes. The highest achieving candidates clearly explained the differences between YED and XED and how they are interpreted. Lower achieving candidates made numerous mistakes. This question requires examples and it was good to see the highest achieving candidates using real world examples to support their answers. Candidates often found it difficult to include a diagram to answer this question. For complementary goods with a negative XED, a demand and supply diagram was an effective method of showing how, for example, a fall in the price of broadband might shift the demand for laptop computers to the right.
- (b) Candidates found this question difficult and struggled to explain how YED and XED are of significance to businesses. It was common to see answers that simply said a rise in income would lead to a rise in the demand for a normal good and firms that sell normal goods could then increase their prices as a result of this. It would be better to say how, for example, a company like Apple that markets a normal good like the iPhone would export more iPhones to markets in developing countries as incomes are forecasted to grow in the future. Candidates also found it difficult to evaluate their answers to this question. An effective approach here could be to consider how YED and XED vary over time and across different areas in a country, which makes it difficult to predict exactly how the demand for products will change when incomes and the price of related goods change.

Question 3

- (a) Candidates found this question challenging. The answers to this question failed to explain the income, output and expenditure methods precisely enough and there was lots of inaccuracy here. This may be because this area of the guide was not examined much in previous examination sessions and candidates had not revised it well enough. It is quite a knowledge heavy topic and answers had lots of mistakes in them or the explanations were very simplistic. To say the income method is 'adding up all the income in a country is not detailed enough. Candidates needed to explain how income is made up of the following forms: wages, interest, profits and rent and these are aggregated to obtain a GDP figure. This question could also be supported by an accurate circular flow diagram but few candidates chose to do this.
- (b) Answers to this part of the question were better than the answers to part (a), although many responses lacked balance. Candidates were good at saying why real GDP per capita was not a good measure of living standards but not as good at saying why it might be useful. An effective response here would be to say that countries like Germany with a high real GDP per capita tend to have high relative living standards because household incomes are high, poverty is low and people have good access to public services. It would also have been good to see candidates discussing the use of real GDP per capita by using real world examples. The very unequal distribution of income in a country like South Africa makes its GDP per capita a particularly misleading figure to measure average living standards.

Question 4

- (a) This question was the more popular of the questions in Section B. The deflationary gap was explained really well by the highest achieving candidates, but there was some confusion amongst lower achieving candidates who often explained deflation rather than the deflationary gap. This was a question that needed an effective AD/AS diagram to support the answer and many candidates drew clear, well labelled diagrams.
- (b) This question was generally well done with some very good answers evaluating the application of fiscal policy. Candidates showed good knowledge levels here and applied theory well to show how cuts in tax and increases in government expenditure increase aggregate demand and can draw a country out of recession. It was also very pleasing to see so many candidates considering the problems of doing this because of the problems governments face with increasing fiscal deficits. This was an answer which was really strengthened by relevant current examples and the highest achieving candidates used examples from European and US government deficits to illustrate this.

Recommendations and guidance for the teaching of future candidates

- Use specific/real world examples to show an awareness of application of economic theory. The new specification in the syllabus has raised the importance of examples by making an example one of the level 3 marking criteria. Examples are important in Economics because they show candidates how economic theory can be applied to real life. This is particularly true when candidates are evaluating policy issues where examples are used show the realities governments face when they are trying to implement different policies. Centres must focus on the use of examples as they prepare candidates for future sessions.

Standard level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 5	6 - 10	11 - 15	16 - 19	20 - 24	25 - 28	29 - 40

General comments

This subject report, used in conjunction with the markscheme, is designed to help teachers prepare their candidates for future examinations 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. There seemed to be very few problems with candidates managing their time appropriately.

Once again, candidates seemed to perform significantly better on the international economics section than they did in the development economics section. In many cases, it was obvious that candidates had received minimal teaching in the development area. Teachers must be aware that this can only damage the performance of candidates.

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) Many candidates were able to explain the two important points relating to foreign direct investment, *i.e.* that it is long-term investment and carried out by multinational

corporations. Lower achieving candidates simply mentioned investment of some sort, often thinking that it was carried out by governments.

- (a)(ii) This was generally well answered. Candidates identified a number of responsibilities, including control of interest rates, control of the money supply, control of exchange rate policy, maintenance of price stability, banker to the government, and regulator of the commercial banks. Lower achieving candidates simply had no idea of what a central bank was.
- (b) This question was not very well answered by the candidates who attempted it. Higher achieving candidates explained that the current account was made up of the balance of trade in goods and the balance of trade in services, as well as net transfers and net income flows. They then went on to explain that if the trade in goods was in deficit, then other elements of the current account must be in surplus, outweighing the amount of the deficit. However, many candidates were not aware of the components of the current account and wrote in vague terms about the financial account outweighing the current account.
- (c) This was generally well answered, with a diagram showing an increase in the supply of the Japanese yen (the supply curve shifting to the right), and an explanation that the Japanese authorities would enter the foreign exchange markets, buying foreign currencies, thus increasing the supply of their own currency in the market and so lowering its exchange rate. Lower achieving candidates were confused between money supply and currency and suggested that the government could increase the money supply in the country, which would reduce its value and so the exchange rate. This is a common misunderstanding that teachers should seek to address.
- (d) This was a generally well answered question, with a good amount of material from the text on which to draw. Lower achieving candidates simply mentioned one or two of the effects given in the text and failed to evaluate their economic consequences in any way. A significant number of candidates wrote short, purely theoretical responses regarding the general effects of an appreciating currency, not relating their answers to the text and so only reaching level 2 in the markscheme. Once again, lower achieving candidates were confused between the internal value of money and the external value of the currency, and seemed to think that an appreciation of the yen was inflation. They thus wrote about the economic consequences of inflation, gaining no reward.

Question 2

- (a)(i) The majority of candidates were able to explain that it is a rise in the value of a currency in terms of another currency and some added that it related to a floating exchange rate system. Lower achieving candidates described inflation and wrote about generally rising prices.
- (a)(ii) Most candidates explained that subsidies are money given by the government to firms in order to reduce (production) costs, increase supply (output/production), reduce price, increase consumption, increase investment and/or employment, or

protect domestic industries from imported products. Lower achieving candidates simply wrote about money given to firms or consumers.

- (b) The question specifically relates to “Australia’s domestic car market” and many candidates explained that the currency appreciation would make imported cars less expensive than domestic cars, reducing the price and demand for Australian cars. They supported this with a diagram showing a shift of the demand curve to the left. Some candidates concentrated on the foreign car market, referring to exports and not really answering the question set. The lowest achieving candidates seemed to ignore the question and, using an exchange rate diagram, explained why the currency had appreciated.
- (c) This was generally well answered, with the majority of candidates drawing a correctly labelled demand and supply diagram showing a decrease (leftward shift) of the supply curve and explaining that a carbon tax will increase production costs, causing a fall in supply and therefore causing the price of cars to increase and the quantity demanded and supplied to decrease. Lower achieving candidates tended to make the same mistake and said that taxes would reduce demand. They then drew diagrams with the demand curve for cars shifting to the left. This has been a common weakness/misunderstanding over the years that teachers should seek to address.
- (d) The main weakness here, for lower achieving candidates, was to write a paragraph each on global uncertainty, trade barriers, and carbon taxes, simply restating the text in the case of global uncertainty and carbon taxes, and giving a theoretical or diagrammatic example of tariffs, quotas, or subsidies relating to trade barriers.

Higher achieving candidates explained possible economic effects of the three factors, which are given in the markscheme. Effective discussion consisted of a balanced review of the economic effects of the factors, with a suggested outcome, clearly presented and supported by appropriate evidence from the text.

Question 3

- (a)(i) Most candidates were able to explain that it is when people live below a certain level of income that is necessary to meet basic needs. Lower achieving candidates wrote vaguely about \$1 a day, or some other amount, without mentioning the idea of meeting basic needs (surviving). A number of candidates gave a definition of comparative poverty.
- (a)(ii) This question was surprisingly not well answered. Higher achieving candidates listed two of the components, real national income per head (real GNI/GDP per capita), life expectancy, mean years of schooling, or expected years of schooling. The measures of education were changed in 2011, but many centres are still teaching the old ones, so it was decided that these would also be rewarded. Thus, it was acceptable to refer to adult literacy rate or average years of schooling or centre enrolment rates. However, generalizations, such as “educational indicator” or “health indicator” were not rewarded. A worrying number of candidates seemed never to have heard of the HDI and were unable to list a single component.

- (b) Higher achieving candidates were able to draw a correctly labelled Lorenz curve diagram, with a line of equality and a Lorenz curve for Haiti showing income inequality. They then explained that the Gini coefficient of 0.59 is the ratio of the area between the line of equality and the country's Lorenz curve, and the total area under the line of equality. Some expressed this as a formula $0.59 = \frac{A}{A+B}$, where A and B were the respective areas under the Lorenz curve. Lower achieving candidates seemed to be completely unaware of the concept of a Lorenz curve and were unable to respond in any meaningful way.
- (c) Most candidates were able to draw a PPC diagram, shifting it inwards, and labelling the diagram properly. They then explained that the earthquake will have reduced the quantity and quality of factors of production in Haiti, thus reducing production possibilities. However, some candidates were very inexact in their drawing of the curves, drawing them in horseshoe shapes, and this should be discouraged. As is often the case with development topics, a significant number of candidates had no knowledge of production possibilities curves.
- (d) Higher achieving candidates defined economic growth and economic development and then addressed different strategies that might be employed to achieve them. Many explained the possible impact of market-oriented reforms on economic growth (paragraph 6) and then considered other strategies to improve problems mentioned in the text, so measures to improve income distribution, achieve political stability, repair natural disaster damage, or provide needed infrastructure improvements.

One main weakness was to write theory essays on export led growth v import substitution, or supply-side policies v demand-side policies, or aid v trade, ignoring the context of the question completely. The other main weakness noted was for candidates to concentrate on economic growth and to completely ignore economic development.

Question 4

- (a)(i) The MDGs are very specific, *i.e.* eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDs, malaria and other diseases, ensure environmental sustainability, develop a global partnership for development. Many candidates were vague in their responses, listing things like “improve poverty” or “improve education”. More worryingly, many candidates were completely unaware of the existence of MDGs. This is an area in need of attention.
- (a)(ii) Generally well answered, most candidates were aware that it is an increase in the value of real output (real GDP). Lower achieving candidates omitted the concept of ‘real’.
- (b) This was generally well answered, with the majority of candidates drawing a diagram showing an increase in the supply of health care services. They then explained that the increased spending on health care services would increase the supply, leading to an increase in quantity demanded and supplied at a lower price, resulting in

“affordable health care services”. Lower achieving candidates shifted the demand curve, suggesting that the AfDB expenditure was an increase in demand for health care services.

- (c) This question was not answered well, with a significant number of candidates clearly having no idea what a poverty trap (poverty cycle) was, and so failing to gain any marks. This is an obvious topic that centres must cover in the future. Candidates who were aware of the concept defined a poverty trap and gave an example, the most common being low incomes, leading to low saving, leading to low investment, leading to low productivity, leading back to low incomes. They then explained how investing in human development could break the poverty cycle because, in this case, improvements in health and sanitation would raise productivity and thus incomes, reducing poverty. A number of different poverty cycles were offered and explained and, if appropriate, were fully rewarded.
- (d) Higher achieving candidates defined economic development and then considered the possible advantages and disadvantages of the projects in the light of aiding or hindering development. Having done this, using information from the text, they then concluded by making a considered decision regarding the likely effectiveness of the projects based upon the relative strengths and weaknesses that they had identified. Lower achieving candidates tended to simply restate the text in terms of what the projects were, without considering the possible economic consequences of the projects, or their likely effectiveness.

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, the advice remains largely the same.

- Teachers should 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. Some candidates write far too much and then suffer time control problems later in the paper.
- 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 (q_1 to q_2) or (AD_1 to AD_2) in their written work.

- Diagrams should not be placed at the end of the answer booklet. 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. Very small diagrams are difficult for examiners to read, and thus reward.
- It is the policy that candidates are not allowed to use coloured pens/pencils on their examinations, 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. For example, when asked to show the effect on a market, *i.e.* on price and quantity, of the imposition of a tariff, candidates should not itemise every area on the diagram and then write about revenue changes and deadweight losses.
- While examiners are observing much improvement, 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 relevant paragraphs or texts.
- Answers to part (d) questions also require candidates to apply and develop the economic theory that is relevant to the text/data. 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 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 text/data to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really 'engage' with the text/data, 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 carry out some evaluation.