

ECONOMICS

Overall grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 12	13 - 27	28 - 40	41 - 51	52 - 64	65 - 76	77 - 100

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 12	13 - 26	27 - 40	41 - 52	53 - 66	67 - 78	79 - 100

Higher and standard level internal assessment

Component grade boundaries

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

The range and suitability of work submitted

These comments are based on the marking criteria:

- There were fewer candidates who did not meet the word counts. It is important to remember that footnotes and labels on graphs are included in word counts in the current syllabus.
- Too many candidates do not properly label or explain graphs. It is vital to do this in order to score maximum marks on criterion B. A number of centres do not seem to be aware of the changes in this criterion which took place a few years ago which state that the use of graphs must be 'highly effective' to score four marks. There are also some who confuse macro and micro-economic graphs.
- Terms need to be defined, either as footnotes or in the text.
- Analysis in some scripts was very good. It is important to closely relate the theory to the articles.
- Effective evaluation is still a problem for some candidates. It is important to look at the impact of policies on the different stakeholders, as well as looking at potential trade offs and possible short and long run effects.

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

Candidates were generally good at identifying the relevant theory. A closer link between the articles and the theory should be made, taking care not to simply paraphrase the textbook theory without adapting it to the specific subject.

Recommendations and guidance for the teaching of future candidates

Teachers should provide the assessment criteria to the candidates. They should emphasize the importance of making clear links between the articles and economic theory. It is useful to complete a summary form with all the information, and to highlight the relevant parts of the articles. Evaluation should not be in the form of simply expressing an opinion but should relate to the significance of economic theory in determining the advantages and disadvantages of particular policies. Refer to the comments on the assessment criteria above.

Higher level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 3	4 - 7	8 - 10	11 - 13	14 - 16	17 - 19	20 - 25

General comments

The majority of centres that provided feedback felt that the syllabus coverage of this paper was good. With regard to the clarity of the wording of questions, the majority felt that it was satisfactory or good. Overwhelmingly, centres felt that the paper was well presented. In comparison to last year's paper, a large majority felt that the paper was of a similar standard though a minority believed it to be slightly more difficult.

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

Candidates found it difficult to distinguish between supply side and demand side policies, particularly in the context of how supply side policies were introduced by question two. Many candidates found it difficult to produce accurate diagrams to illustrate negative externalities. A significant minority of candidates produce learned responses, and do not adequately link the theory they introduce to the question posed. This also leads to a lack of evaluation appropriate to the set question.

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

In general candidates seemed to be well acquainted with what a depreciation of a currency is and the factors that might cause it to occur. There were many examples of well-developed responses, which analyzed the effects of depreciation on an economy.

In general candidates could identify appropriate policies to reduce negative externalities associated with the environment.

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

Question 1

- a) This was the most popular question. There were many very good responses where candidates were able to clearly identify why negative externalities were an example of market failure. Such responses produced clearly labelled and explained diagrams, which were clearly referred to in the written text and used to support the response. Weaker candidates were often unable to clearly identify what market failure was although there tended to be greater confidence evidenced in explanations of what negative externalities are. A significant number of responses appeared to have been memorized; these tended not to clearly answer the question.
- b) Candidates usually selected taxation, negative advertising and tradable permits as their three policies. A significant number of candidates did not sufficiently link their discussion to the environment as invited by the question. Other candidates selected policies which were not suited to the stated aim. There was often little attempt to provide suitable evaluation as demanded by level 4 of the assessment criteria. However, there were many very good responses and better candidates seemed to be attracted to this question.

Question 2

- a) This question produced fewer responses, and there was some confusion in evidence from candidates who were unsure of what supply side policies were. In particular, many candidates were unable to explain how supply-side improvements could be brought about through the use of government spending and taxation. What the question was hoping to elicit from candidates, was an explanation of the incentive impacts of lower taxes on business and individuals, together with the supply-side possibilities of government spending on education and healthcare. Weaker candidates tended to define fiscal and monetary policy, which they then developed in a demand side context.
- b) Candidates tended to find this part of the question easier to handle. The best responses separated the different types of unemployment, and then considered the appropriateness of supply side policies to each. Many candidates also considered demand side policies as an alternative to supply side policy. Good responses were able to effectively use this approach as a means to evaluate supply side policy.

Question 3

- a) This question was relatively less popular. However, there were a significant proportion of very good responses amongst those that attempted it. In general, candidates were clear as to what a depreciation was, and most were able to clearly explain two factors that might lead to a depreciation. Diagrams were usually appropriately used, although some candidates do not clearly indicate what the axes of their diagrams represent.

- b) There were many good responses to this part of the question. In a significant number of cases however, candidates focused on the implications for exports and imports only, and ignored other impacts on the wider economy. This tended to undermine opportunities for evaluation and did not fully address the question as it was posed.

Question 4

- a) This question tended to attract weaker responses. Reasoning tended to be simplistic, with few candidates able to develop their responses to an appropriate depth. Good candidates could clearly identify and define a developing country, giving examples of relevant factors that might, or do, lead to differences in economic growth rates between countries. Candidates rarely employ country specific knowledge in their responses and therefore they seldom provide well developed, and country specific examples.
- b) Candidates frequently did not define what economic growth and economic development were, an omission that tended to restrict candidate responses. There was usually an understanding of what foreign direct investment was, and there was usually some idea of some of the negative and positive consequences. However, as in part (a), few candidates could employ suitable, or suitably developed, examples in support of their response.

Recommendations and guidance for the teaching of future candidates

- Provide definitions of key terms. Many candidates do not provide definitions of the key terms they use.
- Surprisingly few candidates make effective use of examples. Level 4 of the assessment criteria makes explicit reference to the use of examples in both part (a) and part (b).
- Many candidates appear to prepare for the exam with learned answers. Frequently, the candidates fail to adequately answer the question with this approach.
- A significant number of candidates at this session, were unable to utilize appropriate evaluation in their responses to the part (b) of questions.
- Candidates should try to use appropriate and relevant diagrams, but it is important that such diagrams be carefully explained. Candidates should also be directed to use diagrams from sources that provide accurately illustrated diagrams.

Further Comments

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

Higher level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 4	5 - 8	9 - 11	12 - 14	15 - 18	19 - 21	22 - 30

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

- drawing a graph and explaining the nature of a Giffen good
- identifying an inflationary gap on a AD/AS graph
- providing a simple worked example of the multiplier in action
- providing a correctly labelled PPC figure in Question 6

Most candidates were able to identify the relevant concepts/ theories asked of them but many then struggled to provide explanations with sufficient detail to demonstrate understanding.

Candidates still have difficulty starting essays with clear definitions. If they do not define the terms early on in their answers they can lose sight of the question and a poorly structured response results.

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

A wide range of knowledge understanding and skill was demonstrated.

The questions provided a good challenge to candidates and did a good job distinguishing between levels of understanding.

Only one question appeared to be unpopular with candidates and that was Question 4. The conclusion was that it was the request for a numerical, worked example of the multiplier that discouraged candidates from attempting it.

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

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

Question 1

A question on Giffen and Veblen had not been on the paper for some time. Nevertheless, a good number of candidates attempted the question. Candidates did understand the concepts but typically once they had embarked on an answer they found difficulty in explaining the concepts: explanations tended to be superficial as were accompanying graphs.

There was more familiarity with Veblen than Giffen and few candidates could adequately explain the positive relationship between price and quantity demanded for Giffen goods.

Having declared Giffen goods to be inferior goods several candidates undertook a discussion of income elasticity completely forgoing any discussion of price. However a number of candidates used the C – shaped diagram to illustrate Veblen (although explanations of the diagram were usually weak)

Question 2

Candidates approached this question enthusiastically. It was a question on a standard area of theory but it was phrased a little differently to previous questions on the topic with the emphasis being on the demand curve.

Candidates were able to compare the characteristics of the two market structures accurately and were usually able to distinguish them graphically.

Difficulties arose when explaining the reasons for the different demand curves: some candidates had problems explaining why the demand curve in monopolistic competition was downward sloping for example. It was not enough to assert that there were different slopes.

Question 3

Again a question that was tackled with enthusiasm. Candidates did rather well on this question and marks were very satisfactory. Graphs were drawn and explained, economic terms were defined, application and analysis was largely accurate. Candidates appeared to have been well prepared on this area of the syllabus.

The main drawbacks were in the diagram where some candidates omitted either the SRAS curve or the LRAS curve or in the definition and explanation of the inflationary gap or in the explanation of the final upward shift of the SRAS curve.

Despite this the question was very satisfactorily attempted.

Question 4

This was the least popular question on the paper and probably the least well done. There were some very good responses nevertheless.

- definitions were vague
- it was clear that candidates understood the nature of the concept but there were some convoluted explanations: very poor examples of how the multiplier effect worked its way through the economy for example
- the example of new roads quoted in the question was rarely used
- equations were acceptable but a number of candidates got into difficulty trying to apply them to a numerical example – this was particularly true when they used the “open economy” model of MPS, MPT and MPM

Candidates did not seem to be well prepared in this area of the syllabus. It was probably the request for a numerical example that discouraged a number of candidates.

Question 5

This was not the typical Comparative Advantage (CA) question and many candidates struggled to find an appropriate approach. Many spent too much time explaining CA using tables and diagrams and had little left to explain the factors. Others explained the factors but did not explain them explicitly enough in the context of the CA model. However, some did find a good balance between CA theory and factors using relevant examples.

Question 6

This was a popular question with candidates.

As in most cases involving the PPC, candidates chose to go through a protracted explanation of the model in very general terms rather than using it to illustrate/explain the elements of the question.

The challenge was to keep the discussion focused on how the two factors, infrastructure and education contribute to growth – not just how they affect the PPC. Stronger candidates were able to distinguish between actual and potential growth and discussed both infrastructure and education in the light of both growth concepts.

Weaker candidates often wandered off into a discussion of growth and development and found difficulty in appropriately labelling the PPC

Recommendations and guidance for the teaching of future candidates

- The use of graphs is central to economic analysis at this level. Graphs must be used wherever appropriate and they must be accurately drawn and labelled. In particular graphs must be carefully explained and their relevance to the argument clearly demonstrated: nothing else will do
- It is equally necessary that economic concepts central to the answer be technically defined. The application, analysis and evaluation of concepts and theories cannot proceed unless central economic concepts are properly defined.
- Cover the whole syllabus and try not to “spot” questions: candidates often use past papers as a guide to what will appear on current papers. When something appears that has not been questioned for a long time or appears with a different approach or emphasis they are at a loss.

Higher level paper three

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 8	9 - 16	17 - 23	24 - 31	32 - 38	39 - 46	47 - 60

General Comments

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

As is often the case, there were few responses from teachers in the form of G2 responses through the OCC. Those centres that did complete the feedback forms seemed satisfied with the paper in terms of syllabus coverage and level of difficulty.

Evaluation in the final part (d) questions was often lacking; there is a tendency for candidates to either provide lists of advantages and disadvantages without coming to reasoned conclusions or making a judgment or deliver a pre-learned mini-essay on a topic without directing the analysis to the case study. Examiners do not expect a particular number of specified points to be made in these sub-questions and are instructed to reward all plausible points, but to reach the top band, **effective** evaluation in the context of the case study must be carried out.

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

This will be treated in the context of the individual questions

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

This will be treated in the context of the individual questions

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

Question 1

- a) (i) Most candidates were able to provide a reasonable definition of demand. It is important for teachers to make it clear that demand is measured over a given time period, and that this be included in a definition.
- (ii) Most candidates were able to define a cartel, either from the perspective of a group of countries acting together, or as a collusive oligopoly.
- b) Most candidates correctly showed an increase in demand leading to an increase in price. Some explained the increase in price as a result of producers withholding supply. If this was correctly explained, candidates could achieve full marks. An incorrect, but rare, approach was to refer to the bandwagon effect and to show an upward-sloping demand curve.
- c) The question was quite explicit in asking for a buffer stock diagram, and most candidates were able to draw at least an approximation of one of the relevant models. A common error was to confuse the minimum price and maximum price, putting the maximum price below the equilibrium and the minimum price above the equilibrium.
- The candidates were not required to fully illustrate the intervention mechanism in the diagram, but had to explain how the buffer stock scheme/manager would have to intervene if the price were above or below of the band of prices.
- d) Many candidates were able to consider reasons for and against the formation of a cartel by using the information in the text, but often lacked a valued judgment to establish whether it was not advisable to form one. Often the text was quoted, but relevant theory was not identified or developed.

Many responses equated the formation of a cartel with the formation of a collusive oligopoly among firms, and as a result, lost sight of the actual question. These tended to be pre-learned answers on the advantages and disadvantages of a monopoly.

Question 2

- a) (i) The majority of candidates were able to provide a reasonable explanation of a market.
- (ii) The majority of candidates were able to provide a good definition of revenue and supported it with a formula. Errors arose when candidates equated revenue with profits.
- b) Most candidates answered this question well, although some candidates did not illustrate the original increase in demand on their diagrams, but showed only an increase in supply. Some candidates approached this question by explaining that Nintendo was able to maintain low prices through the exploitation of economies of scale. These tended to be very good responses, showing a good understanding of theory.
- c) Most candidates were able to identify the market structure as that of oligopoly. The main shortcoming where candidates did not achieve full marks arose when candidates failed to identify the characteristics of the industry mentioned in the text. Some confusion occurred as a result of candidates mistakenly identifying the market structure as that of monopolistic competition. Weakest responses identified the market as a 'free market'.
- d) The ideal approach would be to look at reasons why Nintendo might be able to achieve supernormal profits in the long run, and why it might not be able to. Many candidates quoted a number of points from the text without developing the economic theory or presenting a balanced consideration of the issue.

Question 3

- a) (i) Many candidates neglected to note that depreciation occurs in a floating exchange rate system.
- (ii) The majority of candidates were able to define consumption accurately. It was necessary to refer to both goods **and** services to access full marks. Some candidates incorrectly included spending by firms in the definition.
- b) This was generally well done. The most common reason for an inability to achieve full marks was incorrect labelling of curves and/or axes. It was necessary to refer to consumption as a component of AD as the link between falling consumer confidence and falling AD.
- c) This question was very poorly answered for the most part. There were several different areas where candidates made mistakes. Diagrammatically, candidates did not seem to understand that an economy approaching recession would not yet be fully on the downward part of the trade/business cycle, but would instead be approaching, or at the peak of, the cycle.

Although a wide range of labels was accepted for the y-axis, there were many cases where candidates confused GDP (or some equivalent, such as level of economic activity) with GDP growth. Weaker responses used the labels 'average price level' and 'real output' showing confusion between macroeconomic models.

- d) The relevant theory on the consequences of an increase in interest rates was clearly known by most candidates. However, many candidates delivered what seemed to be general essays on the advantages and disadvantages of raising interest rates without giving due consideration to the text and the problem noted in the text that the UK was both approaching a recession *and* experiencing inflationary pressure.

Question 4

- a) (i) This question was answered well by most candidates. Weaknesses occurred when candidates neglected to mention the fact that the dumped goods are sold in **foreign** markets.
- (ii) The majority of candidates accessed full marks on this question.
- b) This was generally well-answered. Marks were lost when candidates used supply and demand analysis for the coat hanger market, rather than the market for dry cleaning services.
- c) This was a challenging question and relatively few candidates achieved full marks for the diagram. Where candidates did realise the necessity of showing an increase in costs, the most common error was to shift only the AC curve, but not the MC curve. Technical errors included not intersecting the MC curve with the minimum of the AC curve or inaccurately indicating the profit-maximising level of output. The reference to a cost/revenue diagram was an indication that candidates were not to use a simple demand and supply diagram.
- d) Question 4 was the second most popular question on the examination. In all likelihood, this is because candidates are very familiar with the concept of tariffs and the tariff diagram, and so chose to do this one on the basis of this part (d) question.

Familiarity with the concept allowed a majority of candidates to reach a level 2 response, but the tendency to deliver a pre-learned answer on the advantages and disadvantages of tariffs without either using it in the context of the coat hanger market in the US or actually evaluating the use of the tariff kept many from achieving beyond level 2.

Question 5

- a) (i) Responses tended to be rather vague with many simply giving examples of infrastructure, with no definition. Stronger responses stated that they are essential facilities added to the capital stock of the country, or that they are capital, typically provided by the government, to make economic activity possible.
- (ii) For the most part, candidates were able to define the term and achieve full marks. The few weaker responses tended to have no knowledge of the process at all.
- b) A number of candidates seemed to have little awareness of the concept of the poverty cycle. Responses tended to be vague and, in many cases, did not even attempt to illustrate a poverty cycle. Some candidates did draw a version of a poverty cycle, but were unable to use it to answer the specific question posed.
- c) Most candidates were able to identify the obvious fact that Madagascar had a higher HDI figure than Haiti. However, many of the candidates were not able to grasp the meaning of the question to explain that education and/or healthcare must be better in Madagascar than in Haiti, thus outweighing its lower GDP per capita, and giving it a higher HDI value than Haiti.

- d) Candidates were often familiar with some of the advantages and disadvantages of aid but did not always develop their arguments fully. Sometimes responses were over-reliant on the text, and simply copied out sections without applying economic theory. Many described aid without actually analyzing its effectiveness in contributing to economic development.

Recommendations and guidance for the teaching of future candidates

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

- The full syllabus needs to be taught. Incomplete teaching of some sections of the syllabus will disadvantage candidates when they come to choosing their data response questions. This examination had more questions on theory of the firm concepts and this will have made it more difficult in cases where there has not been sufficient emphasis on this area of the course.
- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, candidates might be encouraged to compile a glossary of terms.

Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.

- In part (a) questions, candidates should be encouraged to write **no more than** two sentences.
- Candidates will also benefit if they compile a glossary of all the diagrams. Most part (b) and (c) questions require the use of a diagram, and these are generally all standard diagrams from the syllabus. Where diagrams are used in parts (b) and (c), candidates should be sure to use/explain the diagram by making references to the diagram in the response.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Too often, candidates will use a correct diagram, but then fail to make use of the diagram in their explanation. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is now the policy that candidates are not allowed to use coloured pens/pencils on their exams, as the examinations will be scanned to be sent to examiners and colours will not be visible. Teachers must be aware of this and instruct candidates accordingly.

- Diagrams should be made appropriate to the question and/or the market in the question. The vertical axes should note the market in question.
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, and that they write succinct, targeted answers rather than write about every aspect of a concept.
- 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 paragraphs or texts.
- 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. Teachers should instruct their candidates to take a few sentences to explain concepts that they bring up in their analysis for part (d) questions. Without adequate development of the theory, candidates look as though they have simply memorized a set list of issues, but do not demonstrate any depth of understanding of the topic.

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

- Candidates must be aware of the different ways that they can carry out the skill of evaluation. To start, candidates can be encouraged to discuss advantages and disadvantages of a particular economic 'event' or policy; they can look at an issue from the perspective of different stakeholders or they can consider the differences between short run and long run consequences. But it is **not** sufficient to just list advantages or disadvantages or to distinguish between the short run or the long run. **For evaluation to be effective, it is necessary to make a reasoned and justified judgment regarding the information.**
- Theory provided in part (d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really 'engage' with the case study, in order to be able to **apply** the theory.

Standard level paper one

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 3	4 - 6	7 - 9	10 - 12	13 - 16	17 - 19	20 - 25

General comments

The Economics Standard Level Paper 1 was well received by centres and assistant examiners. It was viewed as a fair paper in terms of syllabus coverage and degree of difficulty. It was pleasing to see an even spread of responses across 3 of the questions asked even if question 4 proved to be relatively unpopular. It was also pleasing to see many good responses to the questions set, with candidates applying relevant economic theory effectively. The quality of answers on this paper, from a qualitative point of view, does seem to have improved in recent years. There are, however, still some important common areas where candidates can improve their answers.

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

The quality of answers to question 4, the economic development section of syllabus, suggest this aspect of the course is causing the most difficulty. Only a small number of candidates chose this question and many struggled to apply the theory covered in the economic development section effectively.

In terms of approach to all questions, a common weakness in answers is a lack of examples. Top level responses need candidates to use examples to support the points they make. This helps to strengthen the argument developed in an answer and show a good level of understanding. It also makes answers more interesting.

The quality of diagrams used by weaker candidates could also be improved. Responses are really enhanced by clearly drawn, accurately labelled diagrams, which are clearly referred to in the text of an answer.

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

It was good to see candidates clearly explaining macro, micro and international economic theory in questions 1, 2 and 3. Candidates defined key terms well and developed economic theory effectively to illustrate their answers. This was particularly true in part (a) answers. It was also pleasing to see the best candidates evaluating their answers effectively in part (b). It is good to see candidates thinking critically about the points they make.

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

Question 1

- a) The general standard of answers on this question was good. The best answers included: accurate definitions of taxes and subsidies, clear explanations of the effect they have on market price and quantity and effective demand and supply diagrams to illustrate their impact on markets. It is also important for answers to include examples such as indirect taxes on cigarettes or subsidies on basic foodstuffs like bread.
- b) This question posed some problems for candidates because it did not fit with questions that had been asked on this topic in previous sessions. There were a large number of candidates who wanted to use a pre-prepared answer and did not focus on the reasons why governments support farmers using subsidies. Candidates needed to consider why farming is important to society because of: its importance in providing affordable food for all consumers; the vulnerable position of farmers because output is affected so much by the weather; the strategic importance of food production and the way farming supports the rural population. Too many answers just looked at the costs and benefits of subsidies which did not really focus on the question. Once again, this answer cried out for relevant examples to support the points made. Farming subsidies on offer in many countries really help to illustrate the points made. To evaluate the points made to answer this question, candidates could have considered: the opportunity cost of the funds used to pay for subsidies, why farmers are favoured over other industries and the way subsidies can distort markets.

Question 2

- a) Candidates responded well to this question and gave answers which clearly explained the difference between demand-side (most responses considered fiscal and monetary policy) and supply-side policies. Good answers clearly defined both policies and explained how they can be used to tackle economic problems. It was pleasing to see candidates using effective AD/AS diagrams to illustrate the use of demand-side and supply-side policies. Candidates could, however, have used more examples here and there are a plethora of current examples candidates can use to illustrate demand side policies currently being used in many countries to combat recession.
- b) It was encouraging to see so many good answers to this question. Effective responses clearly analysed how market based and interventionist supply-side approaches can be used to address the main objectives of government economic policies. Good answers looked at, for example, how policies to address inefficiencies in the labour market can be used to reduce unemployment or how government expenditure to support improved infrastructure can aid economic growth. The best answers went on to evaluate the effectiveness of supply side policies by considering: the long term nature of the supply side approach, how the supply side is not really appropriate to deal with a sudden rise in inflation or an economy that has dipped into recession; and the cost effectiveness of direct government intervention through subsidies and government run organisations. Examples of supply-sided policies in action can be drawn from many economies including the transition economies of Eastern Europe or the growth strategies adopted by India and China.

Question 3

- a) This question was generally well answered by candidates who used effective demand and supply analysis to explain why a country's currency would appreciate. Most candidates responded to the question by considering how the demand for a currency would increase if there was: a rise in demand for a country's exports, an increase in a country's interest rates, an increase in tourism and/or a rise in the speculative demand in the currency. A few candidates tackled the question by looking at the supply-side for a currency and this was equally rewarded. This question is really helped by using exchange rate examples, particularly when showing how an exchange rate changes. Using real exchange rate values on an exchange rate diagram is also very useful when illustrating exchange rate questions.
- b) The second part of this question produced some good answers with candidates examining the benefits to a country of a rise in its currency in terms of: reducing inflationary pressures as import prices fall, seeing imported goods get cheaper for consumers and reducing costs to industry as imported inputs fall in price. Candidates explored the harm a rising exchange rate might bring to an economy by considering how the country's export prices would rise, leading to a fall in demand; how lower import prices would lead to an increase in imports and with falling exports and rising imports the balance of payments current account could move into deficit. Some candidates looked at how price elasticity affects changes in quantity demanded for imports or exports although there was no requirement to use the Marshall Lerner condition because this is not in the Standard Level syllabus.

To reach the very top level candidates needed to consider 'the extent' part of the question by, for example, saying how the more open an economy is the greater the effect the change in the exchange rate will have on it. The fact that so many countries in the world would like to see the value of their currencies depreciate at the moment suggests that many governments see a high exchange rate harming their economies when the economy is experiencing slow growth or recession.

Question 4

- a) This was the least popular question on the paper with only a relatively small number of candidates choosing it. The challenge facing candidates was to explain the reasons why 'growth rates may differ' and a lot of answers failed to do this by just looking at the causes of growth without specifically saying how this causes a difference in growth rate.

Effective ways of doing this would be, for example, by saying how a natural resource endowment like oil would increase a country's growth rate ahead of a country without this type of endowment. Development questions are really helped by examples and using Venezuela, with its oil endowment, would give it a faster growth rate than other South American economies that do not have oil.

- b) This is a reasonably straightforward question and there were some good answers to it. There were, however, quite a high proportion of candidates who struggled with the question. Weaker candidates got confused between FDI and Aid or they understood FDI but found it difficult to link their answer to economic development. To answer this question, candidates needed to explain how investment by multinational companies in developing countries could help growth by, for example, increasing output in the country and its exports to other countries. This would, in turn, help development as incomes rise and the tax paid by the MNCs could fund better public services.

To evaluate this response candidates could have considered some of the problems FDI poses for developing countries if, for example, the MNC pays very low wages or the factories they set up have negative effects on the environment. This answer is really helped by the use of examples to illustrate where FDI has helped and hindered growth and development in developing countries and with so many worldwide examples candidates have plenty to support their answers.

Recommendations and guidance for the teaching of future candidates

- Practise economic development questions using economic theory
- Clearly and accurately define the key terms in the question
- Make sure answers address the question asked and are not based on pre-prepared answers
- Use relevant economic theory to answer the question
- Draw clear, well labelled diagrams
- Use examples to support each point made
- Practise evaluating the points made in an answer

Standard level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 8	9 - 17	18 - 24	25 - 32	33 - 39	40 - 47	48 - 60

General comments

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

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

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

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

Surprisingly, a significant number of candidates did not seem to be fully understanding in regards to elasticity, both of demand and supply. The same can be said for the concept of potential output.

Once again, question 5 was the least popular question. This may add fuel to the suspicion of some examiners that the development economics section of the syllabus is being inadequately treated. Those who did attempt the question seemed to lack understanding in terms of both poverty cycles and the Human Development Index (HDI).

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

Question 1

- a) (i) This term was generally well-defined. Those who struggled were confused between direct and indirect taxes.
(ii) This term was generally well-defined. A few candidates interpreted investment as financial investment and did not seem to understand the concept from an economics point of view.
- b) The majority of candidates were able to present an accurate diagram, shifting the demand curve for corn to the right. Weaker candidates did not understand the relationship between corn and biofuel and seemed to think that they were substitutes of some sort.
- c) There was much confusion between the determinants of price elasticity of demand and price elasticity of supply (PES). Many candidates thought that the elasticity of supply was low, because the product is essential. This is not the case. Others thought that it was to do with the weather, in terms of drought or hurricanes. They did not seem to realise that this would shift the supply curve. A surprisingly few candidates recognised that the cyclical nature of production (growing seasons) would have a significant impact upon the PES.
- d) Many candidates were able to analyse effectively, using the links to the text. As is always the case, weaker candidates did not manage to move beyond a basic explanation of the theory involved, *i.e.* maximum price. They drew the diagram, explained it (mostly), but went little further. For the stronger candidates, evaluation took the form of weighing up the possible positive and negative consequences of the price ceiling.

Question 2

- a) (i) This was generally well-answered, although candidates often neglected to include the adjective 'real' before GDP or output.
(ii) Most candidates were able to provide a reasonable explanation of this concept.
- b) As with question 1(c), there were surprisingly poor explanations regarding elasticity. Candidates usually drew a relatively inelastic demand curve, but often did not show the shift in the supply curve, causing the increase in price.

Thus, it was then difficult to explain that when costs increase and supply shifts to the left, price will increase to cover a substantial part of the cost increase, because the price elasticity of demand is relatively elastic.

- c) Usually well answered, with most candidates correctly illustrating, and explaining, a negative externality (of production). Responses tended to be completely correct or completely incorrect.
- d) A great many candidates delivered a clearly pre-learned essay on market failure, without directing the response to the case study or carrying out effective evaluation. Moreover, the question was asking for an evaluation of regulation as a solution to market failure and not an explanation that pollution was a market failure. Responses tended to repeat the answer to question 2(c). Stronger responses tended to evaluate by weighing up the effectiveness of alternative approaches in comparison with regulation.

Question 3

- a) (i) This term was generally well-defined.
- (ii) This policy seemed to be well understood and so definitions were mostly accurate.
- b) This was not a well answered question. Credit was given whether a neo-classical long run supply curve or a Keynesian supply curve was being used, but in either case, candidates seemed to find it difficult to illustrate and explain that the likely effect was inflation.

This was especially so when the Keynesian supply curve was employed and candidates did not use the vertical part of the curve to show potential output.

- c) Most candidates were able to link wage increases with a fall in SRAS, and used an AD/AS diagram to explain that this would result in cost-push inflation.
- d) Once again, the weaker candidates tended to deliver a pre-learned essay, this time on monetary policy, with little use of the text/data. This was disappointing, since there was much information to highlight in the text, such as the inflation rate (Figure 2), economic growth (Figure 1), the current account deficit (Figure 3), employment (Figure 4), *per capita* income (paragraph 1), and entrepreneurship trends (Paragraph 1). Evaluation most often took the form of weighing up the relative importance/impact of the different possible consequences.

Question 4

- a) (i) This was generally well defined.
- (ii) Answers tended to be vague, along the lines of “exports are greater than imports”. Detail regarding goods and services (and net income flows, although they were not required for full credit) tended to be missing in the majority of responses.
- b) This was reasonably well-handled, although a significant number of candidates adopted a macroeconomic approach and could therefore not be awarded full marks. Most candidates were able to link lower production costs with an increase in supply of the product and so a lower price and quantity produced and consumed.
- c) This was generally well illustrated and explained, although some candidates just showed the imposition of a tariff, as opposed to an increase in an already existing tariff.

- d) This was a fairly straight-forward part (d) question, with a good amount of material from the text to draw from. Therefore, many candidates were able to analyse effectively, using the links to the text. As is always the case, weaker candidates did not manage to move beyond a basic regurgitation of points from the text. Evaluation most commonly took the form of weighing up the positive and negative effects, although some candidates evaluated very effectively by considering the possible short-run and long-run effects/outcomes of China's increased role.

Question 5

- a) (i) Responses tended to be rather vague with many simply giving examples of infrastructure, with no definition. Stronger responses stated that they are essential facilities added to the capital stock of the country, or that they are capital, typically provided by the government, to make economic activity possible.
- (ii) For the most part, candidates were able to define the term and achieve full marks. The few weaker responses tended to have no knowledge of the process at all.
- b) A number of candidates seemed to have little awareness of the concept of the poverty cycle. Responses tended to be vague and, in many cases, did not even attempt to illustrate a poverty cycle. Some candidates did draw a version of a poverty cycle, but were unable to use it to answer the specific question posed.
- c) Most candidates were able to identify the obvious fact that Madagascar had a higher HDI figure than Haiti. However, many of the candidates were not able to grasp the meaning of the question to explain that education and/or healthcare must be better in Madagascar than in Haiti, thus outweighing its lower GDP per capita, and giving it a higher HDI value than Haiti.
- d) Candidates were often familiar with some of the advantages and disadvantages of aid but did not always develop their arguments fully. Sometimes responses were over-reliant on the text, and simply copied out sections without applying economic theory. Many described aid without actually analyzing its effectiveness in contributing to economic development.

Recommendations and guidance for the teaching of future candidates

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

- The full syllabus needs to be taught. Incomplete teaching of some sections of the syllabus will disadvantage candidates when they come to choosing their data response questions. This examination had more questions on theory of the firm concepts and this will have made it more difficult in cases where there has not been sufficient emphasis on this area of the course.
- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question.

To help candidates in this important skill, candidates might be encouraged to compile a glossary of terms. Candidates must be taught to include appropriate economic words in their definitions, in order to distinguish themselves from people who have simply picked up some information without having taken an economics course.

- In part (a) questions, candidates should be encouraged to write **no more than** two sentences.
- Candidates will also benefit if they compile a glossary of all the diagrams. Most part (b) and (c) questions require the use of a diagram, and these are generally all standard diagrams from the syllabus. Where diagrams are used in parts (b) and (c), candidates should be sure to use/explain the diagram by making references to the diagram in the response.
- Diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Too often, candidates will use a correct diagram, but then fail to make use of the diagram in their explanation. The diagram and the explanation must be integrated with each other. Candidates should explain reasons for any changes and use (dotted) lines to the axes and notation such as (q1 to q2) or (AD1 to AD2) in their written work.
- Candidates should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is now the policy that candidates are not allowed to use coloured pens/pencils on their exams, as the examinations will be scanned to be sent to examiners and colours will not be visible. Teachers must be aware of this and instruct candidates accordingly.
- Diagrams should be made appropriate to the question and/or the market in the question. The vertical axes should note the market in question.
- Candidates must also be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents candidates from achieving full marks.
- Candidates must be taught to carefully identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, and that they write succinct, targeted answers rather than write about every aspect of a concept.
- 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 paragraphs or texts.
- 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. Teachers should instruct their candidates to take a few sentences to explain concepts that they bring up in their analysis for part (d) questions.

- Candidates must be aware of the different ways that they can carry out the skill of evaluation. To start, candidates can be encouraged to discuss advantages and disadvantages of a particular economic 'event' or policy; they can look at an issue from the perspective of different stakeholders or they can consider the differences between short run and long run consequences. But it is **not** sufficient to just list advantages or disadvantages or to distinguish between the short run or the long run. **For evaluation to be effective, it is necessary to make a reasoned and justified judgment regarding the information.**
- Theory provided in part (d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to really 'engage' with the case study, in order to be able to **apply** the theory.