

## ECONOMICS

### Overall grade boundaries

#### Higher Level

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 15	16 - 30	31 - 43	44 - 55	56 - 67	68 - 80	81 - 100

#### Standard Level

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 13	14 - 28	29 - 39	40 - 52	53 - 65	66 - 77	78 - 100

### Higher and standard level internal assessment

#### Component grade boundaries

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

### Recommendations for IB procedures, instructions and forms

This was the second November session for the new syllabus and most centres adapted well to the new criteria. There were a few exceptions, described below. Overall the standard was good, although a few candidates were hampered by weak English. Some centres produced excellent work.

A number of centres seemed either unaware of the assessment criteria or were hugely generous in the marks given to their candidates. A substantial number of portfolios did not include a summary portfolio coversheet. Template versions of a summary portfolio coversheet and a commentary coversheets are available in the 'Forms' section of the Teacher Support Material (TSM), which is available on the Online Curriculum Centre (OCC). Filling in the front page "Titles and dates of work" section of the 3/CS form does not replace a summary portfolio coversheet.

A number of centres did not accurately complete the 3/CS form and as such are advised to check the addition on the reverse side of the 3/CS form and to make sure the forms are signed by the 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 to use them 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 of the articles used. 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 translation that is comprehensible. Google translate is not always adequate. It is recommended that teachers include a comment on the portfolio, explaining the marks awarded. These comments should be on a separate sheet; the portfolios should not be annotated by the teacher. A few teachers marked on the scripts with red pen, which can create confusion if portfolios are moderated a second time.

## The range and suitability of the work submitted

Most candidates followed the rubric requirements and submitted three commentaries from different sources, covering three syllabus sections, while complying with the word count limit. 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 demanded 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 like deficit or depreciation. Most candidates scored well here.

**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 faintly relevant. Some candidates made very little reference to the articles, and a few did not understand the articles. A common fault was to choose articles that were far too complex or dealt with issues not in the syllabus. Most candidates recognized the appropriate economic issues and scored well.

**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 taxing alcohol is a better solution to market failure than regulating sales or prohibition.

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

**Criterion F: 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 coversheet 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 and guidance for the teaching of future candidates

- The internal assessment (IA) should be an integral part of the 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. I would recommend that candidates read through their IA as part of their revision.
- It is recommended that the IA be spread across the teaching of the syllabus, with one or two of the commentaries completed in the first year. This reduces stress on candidates in their second year and reduces the risk of incomplete portfolios being presented.
- Centres should provide guidance in the 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 promote academic honesty and to stress the potential consequences of plagiarism. Teachers should take care to verify the authenticity of work presented, ensuring that the language and analysis presented is really that of the candidate. It is also necessary to remind teachers that providing a candidate with undue assistance is unacceptable. It is part of the candidates' task to find and analyse the article – this should not be carried out by the teacher. A number of centres presented samples where many candidates had used the same articles. Teachers should provide candidates with advice and guidance in the choice of articles for his or her commentaries, but must not choose these for the candidate.

## Higher level paper one

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 5	6 - 11	12 - 18	19 - 25	26 - 31	32 - 38	39 - 50

### General comments

Feedback from centres was very positive, with the vast majority of respondents expressing satisfaction with the paper. Question 1 was the most popular in section A and question 3 in section B.

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

The appropriate diagram for demerit goods and how to label it caused some problems. In particular, many candidates could not correctly identify areas of loss associated with the negative externalities that arise with the consumption of a demerit good.

Many candidates failed to define “equity” and “economic efficiency” in question 4 and seemed therefore unlikely to make much progress with their response after that.

Candidates also struggled to apply appropriate examples, as required by the grade descriptors at both level three and level four, to part (a) and part (b) of the essay questions.

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

Candidates were generally well prepared for all the main topics on the examination. Oligopoly theory was well employed to tackle question 2. Monopoly is a topic where candidates invariably demonstrate a secure knowledge, although this sometimes seems to provoke pre-learned answers where, although good knowledge is shown, it does not always correspond to the specific demands of the question effectively enough. Structural and demand-deficient unemployment were usually well distinguished with reasonable examples used. Supply-side policies were well described and candidates could usually break them down into market-oriented and interventionist policies.

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

### Section A – microeconomics

#### Question 1

- (a) This was the most popular question. Most candidates understood what the signalling and incentive functions of price were. The more popular approach was to focus on the producer and given the time available, it was reasonable for candidates to do so. Some responses, however, only looked at the signalling functions of price and ignored the incentive aspects. Amongst lower achieving candidates there was some confusion over what a relevant incentive was, the pursuit of profit was not always considered.
- (b) A significant number of candidates provided a generalized response to market failure and did not sufficiently meet the needs of the question. The focus of the question was demerit goods and their control by taxation. Some candidates did not pay sufficient attention to the use of taxation nor to demerit goods. Many candidates provided everything they knew about the topic and lacked suitable focus in their response. There was confusion amongst some responses about how to draw the appropriate market failure diagram and where to place the welfare loss. Candidates need to draw their diagrams with care and to label them carefully. They also need to explain precisely how the diagrams are linked to the answer they are providing. It is perhaps worth noting that the examination script is scanned in black and white, therefore the use of coloured pencils to draw diagrams is unhelpful as they often cannot be seen.

#### Question 2

- (a) There were many good responses to this question, with most candidates utilizing oligopoly theory. Most candidates stated that oligopoly firms with kinked demand curves would like to know what their competitors would do, with price and other decisions, and so collusion would solve that. This approach worked well and was the manner in which the markscheme expected the question to be tackled, although candidates still do not provide enough real world examples. There have been many instances of collusion in the news in this last year affecting many parts of the world. It was disappointing that few responses were able to reference current and recent examples of collusion.
- (b) Candidates seemed to find this question relatively straightforward. However, there were a lot of pre-learnt answers that did not relate closely enough to the question asked. Candidates in general were able to show a good grasp of relevant theory from this part of the theory of the firm. However, too few gave a precise account from the perspective of the government. Examples were sometimes present, but there is a tendency by some candidates to use very old ones. The breakup of Standard Oil still appears regularly in responses.

**Section B – macroeconomics****Question 3**

- (a) This question was very popular and generally well-answered. Few candidates were unable to identify these two types of unemployment. However, some candidates continue to use examples from the depression years of the 1930s. More up to date examples are preferred, and the news of recent years has provided many from around the world that could be used. Diagrams to this question were well selected and appropriately introduced; this is an area with which candidates seem to feel comfortable. Explanation of theory here was generally of a high standard.
- (b) This question was answered well in most cases. Good responses subdivided supply-side policy, usually into market-based and interventionist forms and then set about seeing how such policy prescriptions might be applicable for different types of unemployment. Some candidates spent too much time on other policies, such as fiscal policy, in an attempt to evaluate the merits of supply-side policy relative to them. This was usually not very effective and led to a lack of focus on supply-side policy and the question as a whole.

**Question 4**

- (a) This question was not expecting a complex response. The most obvious approach is through unemployment as a transmission mechanism. A diagram to illustrate this was sufficient in order to obtain high marks. Some candidates seemed unable to select and explain appropriate economic concepts.
- (b) This question was often not well answered, as candidates neglected to first define the terms within the question. This resulted in many vague and poorly structured responses that lacked the appropriate reasoning and fell short of the demands of the question. The higher achieving candidates clearly defined equity and economic efficiency and approached the question through the ways greater equity might be achieved. One example can be seen through the tax system and the consequences that might have for economic efficiency.

## Recommendations and guidance for the teaching of future candidates

- Emphasize the use of examples as they are needed to help access levels three and four of the assessment criteria.
- Encourage candidates to keep a diary of economic news to provide them with current examples.
- Candidates should pay attention to the clarity of their handwriting; many candidates seem to record most of their course material using a laptop. However, when it comes to the examinations they need to feel equally comfortable using a pen.
- In the examinations, diagrams need to be clear. They should be drawn in dark ink so that they are visible when they have been scanned.
- It is important to answer the question posed and not to simply write out pre-learned notes.



## Higher level paper two

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 7	8 - 14	15 - 18	19 - 22	23 - 27	28 - 31	32 - 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 examining team. Since the markscheme outlines the most appropriate responses, this report focuses on the more common errors made by candidates. General comments about examination-writing techniques are similar, if not exactly the same as in previous reports.

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

### The areas of the programme and examination which 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

### Section A – international economics

#### Question 1

- (a) (i) – (ii) Most candidates were able to provide a good definition of the term.
- (b) The vast majority of candidates provided the first answer indicated in the markscheme (a fall in the demand for the rupee). Higher achieving candidates made the link between the falling demand for Indian exports and the resultant fall in demand for the rupee very explicit. Some candidates failed to achieve full marks even though they clearly understood the theory because they failed to provide an accurate label on the price axis.
- (c) There were two possible approaches to this question: cost-push inflationary pressure due to a fall in the price of imported factors of production or demand-pull inflationary pressure caused by increased export competitiveness. Answers appeared to be evenly split between the two options.
- (d) Many candidates failed to focus their response on the effects on the Indian economy, and wrote quite generally about possible outcomes. High achieving answers framed their responses in terms of the effects of depreciation on economic growth, unemployment, inflation and the balance of payments.

There was great scope for evaluation/synthesis on this question, and there were a number of excellent responses where candidates really questioned the likely outcomes of depreciation. The highest achieving responses made very good references to the possible J-curve effect and the Marshall-Lerner condition. Many candidates knew that this theory was relevant but were unable to apply it very successfully.

#### Question 2

This was by far the more popular of the Section A questions, presumably because candidates were drawn to the opportunity to use the tariff model and find protectionism a more comfortable topic than exchange rates.

- (a) (i) Most candidates were able to define the term accurately, although a few simply stated that it was a restriction on imports, without specifying what it actually was.
- (ii) There are many reasons for protectionism and on the whole, this question was well-answered. Lower achieving candidates repeated the text, without giving a reason. Some candidates wrote far too much here, ignoring the command term “list” and writing a mini-essay. This is not to be recommended and candidates should be advised to pay careful attention to the command term and the marks allocated to a question.

- (b) Higher achieving candidates answered the question using a tariff diagram, with an increase in the tariff. They explained that this would increase the domestic production of poultry, using information from the diagram.

There were two main weaknesses found in the responses to this question. One group of candidates simply ignored the question and provided a standard tariff diagram, without an increase in the tariff, and so were not really answering the question that was being asked. The second group drew the diagram and then wrote at extreme length about the whole diagram, identifying all the different areas of revenue loss and/or gain, and also bringing in the concepts of consumer surplus and welfare loss. This sometimes resulted in time management issues when answering part (c) and (d) questions.

Many candidates failed to accurately label the different supply curves.

- (c) A significant number of candidates struggled to establish the appropriate focus for this question. They mostly realised that employment would fall, but could not explain the reason in terms of AD and AS. They did not seem to realise that imports are a negative component of AD and that increasing imports would shift AD to the left, reducing real GDP and thus the need for workers in the industry, which would be significant in Trinidad and Tobago, since it “makes up 60% of the agricultural sector” and “generates over 10,000 jobs and \$1 billion in revenue”.
- (d) Higher achieving candidates introduced arguments for and against protectionism, supported by evidence from the text. They considered possible consequences for the economy or for stakeholders and the relative significance of the arguments.

Lower achieving candidates presented a standard list of arguments for and against protectionism, without enough explanation and without making points relevant to the particular experience of Trinidad and Tobago.

## Section B – development economics

### Question 3

- (a) (i) This question was well-answered, with most candidates able to earn full marks. Note from the markscheme that it is not enough to simply say ‘financial support from the government’. Candidates should have identified one reason/outcome of this (eg to lower costs of production, or increase output).
- (ii) Most candidates were able to earn full marks for this question. Weaknesses included writing far too much (even including a diagram) or not referring to the fact that negative externalities arise from an economic transaction.

- (b)** This was a challenging question, and as such the markscheme allowed for different approaches. A great many candidates incorrectly drew a negative externalities of production diagram. While this could not earn full diagram marks, candidates were not further penalized in the explanation, as long as they could correctly identify any plausible external benefit. A great many candidates did not seem to recognise the external benefits and focused incorrectly on the private benefits of education.
- (c)** When a 4-mark question does not ask for a diagram, candidates need to try to include more economic theory. In this case, the marks are easily divided into 2 marks for each reason but candidates had to support their assertions with some appropriate theory. There were some very good answers here that made good use of economic theory, but there were also some very confused answers, with unsupported assertions. Some candidates completely misunderstood the question and wrote about how Ethiopia benefits from Chinese intervention, therefore missing out on marks.
- (d)** There was a lot of scope for synthesis/evaluation in this question if the candidates were correctly able to distinguish between the effects on Ethiopian economic growth and the effects on Ethiopian economic development. Unfortunately, a great many candidates continue to treat these two ideas as the same thing. There were also a lot of rather sweeping assertions about the effects without sufficient application/development of relevant economic theory.

#### Question 4

- (a) (i)** Although this is a term that is frequently asked in examinations, many candidates still seem to find it difficult to define the term and many still simply give examples. As shown in the markscheme, there are a number of different acceptable approaches to this question.
- (ii)** The most common error here was that candidates simply hadn't learned the goals accurately.
- (b)** This question was generally very well-answered, with most candidates understanding the relationship between the Gini coefficient and the Lorenz curve. Of course there were some candidates that mixed up the relationship and/or mixed up the labels on the axes but it was generally well-answered.
- (c)** Most candidates were able to illustrate an increase in AD, but quite a few did not refer to increased government spending, or reduced taxes, as either a component or determinant of AD in the explanation. Some candidates were able to explain the increase in AD but did not specifically refer to the inflation included in the question.

(d) Although the amount of data may have seemed daunting to some candidates, the answers to this question were some of the best responses to a part (d) question that have been seen in any of the Section B questions thus far. Many candidates who tackled this question were able to use the ample data to meticulously identify indicators of economic development and were able to conclude that while Nigeria may be materially better off than Senegal, Senegal seems better poised to achieve development. The lower achieving candidates who did not carefully examine or use both the text and the table were less successful. Some candidates misunderstood the data or did not recognise that the HDI values for the two countries were identical.

## 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 largely the same.

- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, they 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 response to 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 their response. The diagram and the explanation must be integrated with each other. Since diagrams are meant to be dynamic (*ie* 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 in order to show and explain the change.
- Diagrams should not be placed at the end of the examination. 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. All curves/lines and axes must be labelled. A notable number of candidates failed to label the SRAS curves and the world supply curve in the tariff diagram.

- It is policy that candidates are not allowed to use coloured pens/pencils on their examination scripts. They should also be reminded 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 parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write about every aspect of a diagram. For example, on the tariff sub-question on this paper, many provided far too much information about the effects of a tariff.
- Candidates must be reminded that to achieve top marks in questions (d), they must make reference to the text. Encourage candidates to use quotation marks, or to make references to the relevant paragraphs or texts.
- Part (d) answers also require candidates to apply and develop the economic theory that is relevant to the text. 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 responses to part (d) questions and the synthesis/evaluation skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify' and 'to what extent...'. Each of the command terms has an explanation of the depth required in the response given by the IB in the Economics guide and candidates and teachers need to be aware of these.
- Theory provided in part (d) questions must be directly linked to the case study to avoid delivering a pre-learned mini-essay (eg in question 2(d), there were many pre-learned essays on protectionism). Candidates should be encouraged to really 'engage' with the text, in order to be able to apply the theory.
- Candidates must be advised to read the question carefully. 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.

- Candidates must be sure to read the whole question. For example, in question 1(d), candidates were asked to evaluate the effects “on the Indian economy”. Many candidates wrote very generally about the consequences, without focusing on the economy. When a question asks about effects on the economy, candidates are advised to frame their response in terms of the effect on the main macroeconomic variables, *ie* economic growth, inflation, unemployment and the balance of payments.
- Candidates should be encouraged to use their time wisely by carefully choosing their questions. 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. Teachers could encourage candidates to check off the questions that they can do before starting, to make sure that they have read through the whole question and then attempt the questions where they are the most comfortable.
- From the G2 responses, it would appear that some teachers believe the questions on the data response paper will come **only** from Sections 3 and 4 on the syllabus. 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

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 9	10 - 18	19 - 25	26 - 31	32 - 37	38 - 43	44 - 50

### General comments

The examination paper proved to be accessible for the majority of candidates, with candidates scoring well in all three questions. Question 3 was perceived to be the most difficult, with fewer candidates opting for this question than for questions 1 and 2. However, the tendency to avoid macroeconomics is less noticeable than in previous sessions.

It is pleasing to see that candidates and teachers are becoming more adept at the skills necessary for higher level paper 3. For example, the proportion of candidates explaining the effect on the slope of a demand/supply curve as a result of a change in the corresponding linear equation has increased considerably since the May 2014 examination. This provides evidence that the papers, markschemes and Examiner Reports from previous sessions are being used appropriately.

It is of some concern, however, that some candidates are not familiar with the requirements of each command term. In particular, it is common for candidates to present an answer as if they are responding to an “outline” command term (AO1) when an explanation is required (AO2).

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

#### Question 1 – International economics

A significant number of candidates were not able to apply effectively the theory of comparative advantage, and did not know that the assumption of constant opportunity costs was appropriate. Some difficulty was encountered by lower achieving candidates, or those who had not prepared for this learning outcome, in the use of a trade diagram to calculate the effects on stakeholders.

#### Question 2 – microeconomics

Identification of the slope of a demand curve from given equation proved difficult for many. Elasticity calculations, although generally dealt with well, revealed many careless errors, particularly in the calculation of cross elasticity of demand.



### Question 3 – macroeconomics

A significant number of candidates struggled to explain clearly the difference between gross domestic product (GDP) and gross national income (GNI). Although many candidates were able to explain why real GDP per capita may not be an accurate measure of living standards, a significant number provided the same point twice, expressed slightly differently. Moreover, a number of candidates focused on the problems of accurate measurement rather than the limitations of using the data.

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

### Question 1 – International economics

The large majority of candidates were well prepared for the question on comparative advantage, and were able to explain the effects of a subsidy on the domestic economy. Many candidates were able to use the graph to identify/calculate effects on stakeholders, although errors were common.

### Question 2 – microeconomics

Most candidates were able to explain why primary commodities generally have lower price elasticity of demand than that of manufactured goods

The vast majority of candidates were able to interpret and illustrate demand equations, although many struggled to comment effectively on the effect on the slope of the demand curve resulting from a new equation. The current cohort performed much better in this regard than in the previous examination session.

Calculations of elasticities and interpretation of results were done very well.

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

### Question 1

- (a) (i) – (iv)** Generally well-answered, although a small number of candidates mixed the numerator and denominator when calculating the opportunity cost ratio.
- (b) (i) – (ii)** Very well-answered. Some candidates selected the correct answer despite it being inconsistent with the answers to part (a) – and were therefore not rewarded.
- (c)** The majority of candidates achieved full marks for this question, although a surprising number drew concave PPCs, suggesting that they had studied the theory of comparative advantage without reference to a diagram.

- (d)** Most candidates were able to refer to the idea of comparative advantage existing for the product bearing the lower opportunity cost. Some neglected to refer to the diagram/data, while many candidates did not explain that the theory implies that specialization should lead to an increase in economic welfare. A small number of high achieving candidates described the limits within which the terms of trade would have to lie in order for specialization and trade to be mutually beneficial, but this was not required for full marks.
- (e) (i)** The majority of candidates identified the correct answer, although many were not rewarded as they omitted the unit (kg) or omitted the 000s.
- (ii)** Well-answered.
- (iii)** A relatively straightforward question, with full marks achieved by almost all candidates. A very small number drew the new supply curve above the old one.
- (iv)** Although there were many correct answers, a significant number of candidates answered incorrectly, giving the government spending as \$2 x the increase in domestic output.
- (v)** Generally well-answered.
- (vi)** This part of the question was not answered well. A significant portion of the cohort ignored the subsidy revenue received from the government when calculating their answer.
- (f)** This question was answered well. Those who stated but did not explain could not achieve full marks. For example, a response which stated that "this will lead to inefficiency" without stating which type of inefficiency and/or how the subsidy would lead to the efficiency could not be fully rewarded.

## Question 2

- (a)** Many candidates struggled with this question, giving answers such as "downward sloping", "1/30" or "-30P".
- (b) (i) – (ii)** Very well answered.
- (c) (i) – (ii)** Very well answered.
- (d) (i)** Although most candidates recognized that the demand curve would shift to the right, many neglected to state this, while a significant number focused only on the position of the "x" intercept or the "y" intercept, which was not sufficient.
- (ii)** A pleasing number of candidates recognized that the slope would become flatter/gentler, although many of the responses justified this merely by stating that "the slope has increased". Some reference to the rate of change of quantity demanded with respect to price was necessary for full marks.
- (e) (i)** Very well-answered.

- (ii) – (iii)** The majority of candidates answered this question well, although a surprising number inverted the equation or calculated percentages incorrectly, using the final price/quantity, rather than the initial, as the denominator.
- (f)** This question was answered well, although several candidates failed to use answers to part (e) to justify their responses. Higher achieving candidates gave examples and referred to the strength of the relationship.
- (g)** Most candidates referred to "the degree of necessity" and "the availability of substitutes" as the two reasons and explained fairly well. As with similar questions, lower achieving candidates stated/identified but did not explain.

### Question 3

- (a)** Most candidates answering this question were able to identify the differences and explain them clearly, although there were many imprecise answers. The idea that "green GDP considers the environment" is too vague, while "GNI includes income flowing from overseas" is similarly vague. It was pleasing to see candidates referring to GNI measuring "the output of an economy, irrespective of where its factors of production are located."
- (b)(i)** Generally well-answered, although only a small number of candidates included every item.
- (ii)** Generally well-answered, although several candidates calculated net factor income from abroad and gave this as the answer.
- (iii)** Generally well-answered.
- (c)(i)** Although the majority of candidates had clearly practised the application of a deflator to nominal GDP, a surprising number simply subtracted the deflator from the nominal GDP, or even multiplied the two together.
- (ii)** Very well-answered.
- (d)** Well-answered, albeit with a significant number of rounding errors.
- (e)** Very well-answered. Many candidates who had calculated real GDP incorrectly were able to achieve full marks here via the "Own Figure Rule".
- (f)** As real GDP is increasing in the data given/calculated, a significant number gave "B" as the answer, confusing growth with the rate of growth.
- (g)** The majority of candidates were able to identify and explain two reasons, citing "an unequal distribution of income", "the existence of unrecorded income" and "the composition of output" and explaining their reasons. However, several candidates gave two examples of inequality (eg ethnic groups and different locations) while others confused equality with equity. It was also common to see candidates cite problems of gathering the data, whereas the question required a focus on interpretation.

## Recommendations and guidance for the teaching of future candidates

- Candidates should be reminded to include units in their responses, to round to 2 decimal places and to show workings, as per the instructions.
- Candidates should be told that examination scripts are scanned before marking, and all answers should be written in the boxes provided, with additional sheets being used if necessary.
- Centres should prepare their candidates for all learning outcomes, such as:
  - Draw a diagram to illustrate comparative advantage from a set of data
  - Identify the slope of the demand curve as the slope of the demand function  $Q_d = a - bP$ , that is  $-b$  (the coefficient of  $P$ )
  - Draw a diagram to show comparative advantage.
- Candidates should be made fully aware of the command terms, particularly the difference between AO1 (such as outline) and AO2 (such as explain).
- Candidates need to practise the calculation of quantities, volumes and effects on stakeholders on the full range of market and trade diagrams.
- Although there has been some improvement in candidates' ability to interpret changes in a demand/supply function, some centres need to focus more carefully on this element.
- Centres should ensure that candidates are fully familiar with the relationship between GDP, the GDP deflator and real GDP.
- A greater focus should be placed in some centres on the difference between absolute and relative values. For example, candidates should be able to recognize that a fall in the rate of change of GDP does not mean that GDP has fallen.
- Candidates should be advised that when two reasons are required, the temptation to give two examples of one reason should be avoided.

## Standard level paper one

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 6	7 - 13	14 - 19	20 - 25	26 - 31	32 - 37	38 – 50

### General comments

The vast majority of centres that provided feedback expressed satisfaction with the paper.

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

The quality of responses to questions 1, 2 and 3 suggested that candidates did not have particular difficulties with questions in these areas of the syllabus. Candidates did, however, find question 4 more challenging. Candidates seemed less confident about answering a question in this area of the syllabus.

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

Candidate responses to question 1(a) were particularly strong in many cases and clearly show how well prepared candidates are on this area of microeconomics. There were also strong responses to question 3(a).

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

#### Section A – microeconomics

##### Question 1

- (a) This question was well answered by candidates who clearly applied relevant theory supported by effective diagrams and examples. The highest achieving responses took a particular market example and explained how the signalling and incentive functions of price moved resources in and out of a market. It was good to see answers supported by well-drawn diagrams that were integrated effectively into the text.

- (b) Price ceilings in rented housing seemed to be an area of theory that candidates knew well and the question produced some good answers. Many candidates drew a relevant maximum price diagram in rented housing and explained how this leads to a shortage of accommodation along with related issues such as parallel markets and a fall in the quality of rented accommodation. Some candidates struggled to achieve the very highest marks on this question because of the quality of their evaluation. It would, for example, have been good for candidates to examine how the implications of the price ceiling might change over time.

### Question 2

- (a) This proved to be the most challenging question within the microeconomics section of the paper. Candidates were comfortable explaining and illustrating producer and consumer surplus and illustrating the concepts with effective diagrams and examples. They did, however, find the link to allocative efficiency more difficult to explain. The best answers explained a situation where the price and output are at the allocatively efficient point where demand equals supply and how this maximises the consumer and producer surplus.
- (b) The technical aspects of this question were generally well explained with good graphical analysis to show the impact of an indirect tax on the price of gasoline (petrol). It was also good to see candidates' understanding of the impact of indirect tax on consumers, producers and the government. Similar to 1(b), the quality of evaluation could have been better and many candidates missed out on marks here. It would, for example, have been good to see candidates discussing the influence of PED in affecting the relative consequences for the consumers, producers and government and how changes in PED over time might affect this.

### Section B – macroeconomics

#### Question 3

- (a) This question was generally well answered by candidates who had a good knowledge of cost-push and demand-pull. Theory was generally well applied and supported with AD/AS diagrams. A general weakness on the macroeconomic section is the number of candidates who do not use examples to support their answers. It would have been good, for example, to see answers that considered how a falling exchange rate has contributed to higher inflation in Russia.
- (b) There were some pleasing answers to this question and candidates showed awareness of the consequences of a rise in inflation. It was particularly encouraging to see candidates debating the advantages and disadvantages of rising inflation for countries. Candidates did, as in part (a), struggle to use real world examples to support the points they made. It would be good, for example, to contrast the negative impact on economic growth posed by cost-push inflation in Russia with the positive growth effects of rising inflation in Japan.

**Question 4**

- (a)** This was the least popular question. Of the candidates that did answer this question, their responses to part (a) were reasonable. Good answers considered how a recession leads to a rise in demand-deficient unemployment and falling real incomes and considered that a combination of these two factors often leads to a rise in both relative and absolute poverty. As with the other macroeconomic question, a real world example, such as how the current recession in Greece has led to rising poverty, was important to access the very highest marks.
- (b)** This challenging question was on equity in the distribution of income. A good answer, for example, would be to consider how a policy of progressive taxation can improve equity if the money raised is used to provide public services or to provide support to the less well-off. A real world example could be Finland where high marginal tax rates are used to support a very well-funded state education system to benefit all citizens in the country. The impact of high progressive tax can have negative implications for economic efficiency if, for example, the high marginal tax rate reduces worker motivation or discourages investment by entrepreneurs.

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

The change to paper 1 where candidates have to do 2 questions (1 microeconomic and 1 macroeconomic) means the scope for choice is reduced compared to paper 1 on the old specification. The implication is that candidates need to prepare effectively on the whole syllabus if they do not want to have their choice restricted. This may have been the case of this macroeconomic section of this paper where so few candidates chose to do question 4 and this may imply that candidates need to cover equity in the distribution of income more effectively.

## Standard level paper two

### Component grade boundaries

<b>Grade:</b>	1	2	3	4	5	6	7
<b>Mark range:</b>	0 - 6	7 - 12	13 - 15	16 - 20	21 - 26	27 - 31	32 – 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 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 examination-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 time management.

Once again, candidates seemed to perform significantly better on the international economics section than they did in the development economics section. This seems to suggest that teachers are not covering the development topics as fully/carefully as they do other areas of the syllabus. This may seriously affect the ability of candidates who wish to achieve higher grades.

### The areas of the programme and examination which 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

### Section A – international economics

#### Question 1

- (a) (i) This term was well and clearly defined by the vast majority of candidates. A few lower achieving candidates were a little vague and suggested that it was the price of a currency, but did not bring in the notion of comparison.
- (ii) This was generally well-answered, with the majority of candidates explaining that it exists when a country is more efficient than another country in producing a product.
- (b) Most candidates drew an exchange rate diagram with a shift to the right of the demand curve for the Australian dollar and an increase in the exchange rate. They then explained that the increase in demand stemmed from any two of the four reasons given in the text (see markscheme). Lower achieving candidates ignored the text and wrote about how government responses can affect an exchange rate.
- (c) Most candidates recognized that the boom in construction would lead to an increase in investment, shifting AD to the right and causing demand-pull inflationary pressure. The lower achieving candidates drew the AD shift correctly but gave an implausible explanation for the shift.
- (d) Higher achieving candidates gave a balanced response, highlighting possible consequences of a strong Australian dollar, both positive and negative, and supporting them with evidence from the text, which was plentiful. Many candidates wrote a theoretical response, ignoring the text, and so only reached Level 2 in the marking criteria. The ability to synthesise/evaluate, supported by appropriate evidence, is the higher level skill that is being sought in these questions. This is something that candidates need to be able to accomplish if they are to reach the highest levels of achievement.

#### Question 2

- (a) (i) Most candidates were able to define the term accurately, although a few simply stated that it was a restriction on imports, without specifying what it actually was.
- (ii) There are many reasons for protectionism and on the whole, this question was well-answered. Lower achieving candidates repeated the text, without giving a reason. Some candidates wrote far too much here, ignoring the command term “list” and writing a mini-essay. This is not to be recommended and candidates should be advised to pay careful attention to the command term and marks allocated to a question.

- (b) Higher achieving candidates answered the question using a tariff diagram, with an increase in the tariff. They explained that this would increase the domestic production of poultry, using information from the diagram.

There were two main weaknesses found in the responses to this question. One group of candidates simply ignored the question and provided a standard tariff diagram, without an increase in the tariff, and so were not really answering the question that was being asked. The second group drew the diagram and then wrote at extreme length about the whole diagram, identifying all the different areas of revenue loss and/or gain, and also bringing in the concepts of consumer surplus and welfare loss. This sometimes resulted in time management issues when answering part (c) and (d) questions.

- (c) A significant number of candidates struggled to establish the appropriate focus for this question. They mostly realised that employment would fall, but could not explain the reason in terms of AD and AS. They did not seem to realise that imports are a negative component of AD and that increasing imports would shift AD to the left, reducing real GDP and thus the need for workers in the industry, which would be significant in Trinidad and Tobago, since it “makes up 60% of the agricultural sector” and “generates over 10,000 jobs and \$1 billion in revenue”.
- (d) Higher achieving candidates introduced arguments for and against protectionism, supported by evidence from the text. They considered possible consequences for the economy or for stakeholders and the relative significance of the arguments.

Lower achieving candidates presented a standard list of arguments for and against protectionism, without enough explanation and without making points relevant to the particular experience of Trinidad and Tobago.

## Section B – development economics

### Question 3

- (a) (i) This was generally well-answered. Lower achieving candidates made the usual mistake of giving examples of infrastructure, rather than explaining what it is. Candidates should be reminded that examples are not a definition.
- (ii) Most candidates identified that the HDI trend was an increase and that it had risen from 0.245 to 0.322 in the period requested. Lower achieving candidates tended to identify the trend, but then not support their assertion with figures from the data, as requested. Some candidates did not seem to understand the concept of a trend and simply listed all of the annual figures given in the data.

- (b)** Higher achieving candidates identified that the use of the ARV drugs had a positive externality of consumption, drew an appropriate diagram and explained how free provision of the drug would eliminate the potential welfare gain by taking consumption to the socially optimum output. Some candidates adopted a possible externality of production approach which, if correctly explained, was also fully rewarded. Lower achieving candidates were not able to draw a market failure diagram, as requested. They had little understanding of the concept of externalities and so struggled to provide any material that could be rewarded.
- (c)** This question was generally well-answered. However, lower achieving candidates ignored, or did not understand, the term 'potential' in the question. This meant that instead of drawing a PPC diagram (or an LRAS diagram) to show an increase in potential output, they drew inappropriate diagrams that could not be rewarded. Most explanations, however, suggested that the increased access to ARV drugs should lead to an increase in the quantity and/or quality of the labour force in Mozambique.
- (d)** On the whole, this question was well-answered. Higher achieving candidates defined aid and then introduced possible positive and negative outcomes that could come about, following the aid given from Brazil to Mozambique. They referred to the text, in which there was much information, and also attempted to weigh up the relative importance of both individual positive and negative outcomes, and of the positive and negative outcomes as a whole. Many took a short run vs long run approach with much success.

Lower achieving candidates wrote relatively short, theoretical responses, failing to use the text and data provided and did not seem to be aware of the need to display higher level skills through evaluation.

#### Question 4

- (a) (i)** This question was generally well-answered, with the clear majority of candidates able to give a reasonable definition of economic development, expressing the breadth of the concept in many different ways.
- (ii)** This question was generally well-answered, with most candidates defining inflation as a sustained increase in the average (general) price level. Lower achieving candidates missed either the idea that it is a sustained increase, or that it is the average price level and not the price of single commodities.
- (b)** This question required a simple supply and demand diagram, showing the effects of the removal of a subsidy and an explanation that the costs of production of suppliers would increase, leading to an increase in price and a decrease in the quantity demanded and supplied. A number of candidates added a world supply curve to their diagrams, presumably assuming that Burma is an oil producer, which made answers unclear, inaccurate or, in some cases, completely wrong. Some candidates did not read the question properly and wrote about the imposition of a subsidy, rather than the reduction of the same.

- (c) A significant number of candidates used an exchange rate diagram to show the appreciation of the currency, instead of the reduction of inflationary pressures. Higher achieving candidates used an AD/AS diagram, showing a shift of the AD curve to the left. They explained that the rising value of the kyat would make exports more expensive and imports cheaper, resulting in a reduction in net exports (X-M) and so a decrease in AD resulting in reduced inflationary pressure. Some candidates took an alternative approach, explaining that the higher value of the kyat would make imported inputs less expensive, shifting SRAS to the right, and so reducing inflationary pressure. This approach was also fully rewarded.
- (d) Higher achieving candidates weighed up the possible positive and negative effects of the market-oriented reforms mentioned in the text, such as deregulation, breaking up monopolies, development of property rights, improvements to the legal system, trade in foreign currencies and reducing subsidies on fuel, to name but a few. The highest achieving candidates evaluated how the reforms might work, suggested difficulties associated with their implementation and identified possible outcomes, positive and/or negative, that may occur further down the line.

Lower achieving candidates seemed to ignore, or simply not understand, “market-oriented reforms” and merely gave a general progress report on Burma’s 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 largely the same.

- Teachers should really encourage their candidates to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the candidates are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help candidates in this important skill, they 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 response to 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 their response. The diagram and the explanation must be integrated with each other. Since diagrams are meant to be dynamic (*ie* 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 in order to show and explain the change.

- If at all possible, diagrams should not be placed at the end of the examination. 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 neat so that the information is clear. Very small diagrams are difficult for examiners to read.
- It is policy that candidates are not allowed to use coloured pens/pencils on their examination scripts. They should also be reminded 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 parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write about every aspect of a diagram. For example, when asked to show the effect on a market, *ie* 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 dead-weight losses, as occurred in question 2(b) on this paper.
- While examiners are observing much improvement, candidates must be reminded that to achieve top marks in questions (d), they must make reference to the text. Encourage candidates to use quotation marks, or to make references to the relevant paragraphs or texts.
- Part (d) answers also require candidates to apply and develop the economic theory that is relevant to the text. 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 synthesis/evaluation skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify' and 'to what extent...'. Each of the command terms has an explanation of the depth required in the response given by the IB in the subject guide and candidates and teachers need to be aware of these.

- Theory provided in part (d) questions must be directly linked to the text to avoid delivering a pre-learned mini-essay. Candidates should be encouraged to fully “engage” with the text, in order to be able to apply the theory.
- There is concern at the extent to which candidates are uncritically paraphrasing the texts in their part (d) answers. 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.