

May 2017 subject reports

Economics TZ2

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

Overall grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7

Mark range: 0 - 13 14 - 27 28 - 40 41 - 51 52 - 62 63 - 74 75 - 100

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 13	14 - 27	28 - 41	42 - 52	53 - 63	64 - 73	74 - 100

Time zone variants of examination papers

To protect the integrity of the examinations, increasing use is being made of time zone variants of examination papers. By using variants of the same examination paper candidates in one part of the world will not always be taking the same examination paper as candidates in other parts of the world. A rigorous process is applied to ensure that the papers are comparable in terms of difficulty and syllabus coverage, and measures are taken to guarantee that the same grading standards are applied to candidates' scripts for the different versions of the examination papers. For the May 2017 examination session the IB has produced time zone variants of the Economics papers. Grade boundaries for the different time zoned papers are set separately, and careful judgments are made that are based on criteria for performance level to account for differences in the papers.

Higher level internal assessment

Component grade boundaries

Grade: 1 2 3 4 5 6 7

Mark range: 0 - 6 7 - 12 13 - 20 21 - 26 27 - 31 32 - 37 38 - 45

General comments

This was the fifth May session for this syllabus and the first to be done with emarking. Most centres adapted well to the change but a substantial number had problems.

Many centres did not upload the articles used by students, but instead gave a URL link. This is not acceptable as it involves the moderator having to find the articles in order to assess the portfolio. Students lose one mark under Criterion F, and might be treated more harshly if the moderator is not able to find the article as it becomes difficult to judge analysis and evaluation in the context of the article.

Many centres also uploaded the commentaries in the wrong files, so that the commentary order did not match that on the 3/CSE form. This also makes it difficult to moderate as it is hard to be certain which marks relate to which commentary.

Some of the commentaries were not legible, especially the graphs. Teachers should try to ensure the portfolios have been correctly loaded before sending them. The 3/CSE form replaces the old individual and summary coversheets.

Many schools have continued to improve in terms of working with the assessment criteria. There were a few exceptions, described below. Overall the standard was good, and almost all students that completed three commentaries achieved a satisfactory level. Some schools produced excellent work. A few schools prepared their students poorly, and some were either unaware of the Assessment Criteria or were hugely generous in the marks given to their students.

A few centres did not accurately complete the 3/CSE form. 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 so the student could lose marks from their analysis and evaluation.

Some schools and candidates have not adjusted to the requirement that footnotes are only used to provide references, but not for definitions. Specific definitions are not required: the important thing is to demonstrate that the terms are understood and used accurately.

Articles should be complete, and the parts that the commentary is focusing on should be highlighted. If an article is in another language the student must provide a full translation that is comprehensible: google translate is not always adequate.

It is recommended that teachers include comments on the portfolio, explaining the marks they have given. This can now be done either on a separate page or by annotations on the commentaries.



There were some problems with the standardization process, setting and entering practice, qualification and "seed" portfolios. This was the first session where the standardization meeting was online and there were some teething problems. In future, it would be useful that more of this be done ahead of the standardization meeting. If I am still involved in this I will plan to mark at least twenty portfolios ahead of the meeting to provide a basis for discussions.

The range and suitability of the work submitted

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

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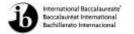
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Candidate performance against each criterion

Criterion A: Diagrams

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

Graphs, which have been adapted to the article, using the correct product and actual prices, are preferable to generic graphs. A common error was prices given in a different currency to that used in the article.

Students should avoid very lengthy descriptions of graphs, especially where these are generic graphs that have been copied.

Some students 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 phrase such as "which measures how responsive the quantity demand is to a change in price." If precise definitions are copied they must be in quotation marks and a source be given. They must not be in footnotes or they will be ignored. This criterion implies that the student displays understanding of the terms used. A number of students used an inappropriate dictionary definition for economic terms like deficit or depreciation.

Most students scored well here.

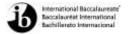
Criterion C: Application

This criterion tests whether the student 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 students made very little reference to the articles, and a few did not understand the articles. A common fault was to choose articles that were far too complex or dealt with issues not in the IB syllabus.

Most students 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 references to the article and integrates the theory. 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 student "synthesizes his or her analysis." If students paraphrase 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 student's own analysis. Many simply explained an article, generally agreeing with the author.

Too many students gave opinions that were not backed up by appropriate economic reasoning. "I think" does not necessarily imply evaluation.

It is not possible to reach the top level unless the candidate considers counter-arguments, and discusses benefits and disadvantages of a policy.

Criterion F: Rubric requirements

It is important to carefully follow the rubric requirements. The 3/CSE form should give details of the sources, syllabus sections, and the date commentaries were written. The descriptor about "different and appropriate sources" was designed to avoid students choosing excerpts from books, tutorial guides, government reports or personal blogs. A number of online media now include opinion columns that are technically "blogs" which are acceptable if they are in a recognized news media source.

Recommendations for the teaching of future candidates

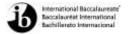
The Internal Assessment should be an integral part of the IB course, not simply a set of assignments at the end of the course. The IA can be valuable to understanding the different parts of the syllabus and is especially important in providing examples that can be used in the externally assessed components.

I would also recommend that the IA be spread across the teaching of the syllabus, with one or two of the commentaries completed in the first year of their IB course. This reduces stress on students in their second year and reduces the risk of incomplete portfolios being presented.

Teachers should provide guidance in selection of suitable articles but the student must make the choice. Some schools 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 schools, or students, did not appear to have produced a first and subsequent final draft of the commentaries.

It is important to ensure that the articles and commentaries have been saved in a form that will make them easy to upload, and to check thoroughly that the portfolios sent for moderation are correct and complete.



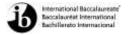
Further comments

It is important to stress the potential consequences of intellectual dishonesty. Teachers should take care to verify the honesty of work presented, ensuring that the language and analysis presented is really that of the student.

It is also necessary to remind teachers against providing too much assistance to students. It is part of the students' task to find and analyze the articles: the teacher should not do this. A number of schools presented samples where many students had used the same articles.

A small number of students attempted to "play the system" by producing three commentaries that were on almost identical topics: this should be strongly discouraged by schools as it could be considered intellectual dishonesty.

There were some cases where the student had completely misunderstood the article used: for example an article on production quotas for fishing was read as an article on import quotas, in another case the article was about the price of gas for consumers and the word "tariff" was used to describe the price but the student confused this with import tariffs. In such cases it is important that the teacher inform the student and suggest they choose another article. If students do not do this they risk having the graphs, analysis and evaluation being considered inappropriate or not relevant. It is vital that the teacher carefully read the article used by the student to ensure it has been properly understood.



Higher level paper one

Component grade boundaries

Grade: 1 2 3 4 5 6 7

Mark range: 0 - 7 8 - 15 16 - 23 24 - 28 29 - 33 34 - 38 39 - 50

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

The use of real world examples is still an issue for some candidates, although they were generally more in evidence than previous sessions. Some candidates found the concept of shut down a challenge in question 2.

For question 4, not all responses accurately identified what disequilibrium unemployment was. There was also a tendency for some candidates to mix up diagrams between depictions of macroeconomic and microeconomic situations, this tended to obstruct appropriate reasoning.

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

The theory of the firm in general is well understood and most candidates have a good grasp of economic terminology.

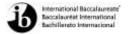
Stronger candidates are making more use of real world situations where they go beyond simply stating a generic example. There were responses where candidates showed they could integrate real life examples into the development of theory. Frequently this was done to illuminate or give greater substance to the synthesis in part B of responses.

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

Question 1

1(a) A popular question to which there were many very good responses. Imaginative candidates were able to reference actual increases in business costs such as increases in the minimum wage in specific countries or changes in energy costs to support their answer. Weaker responses were frequently unable to accurately depict the impact of increased costs on a supply and demand diagram. Either the wrong function was shifted or it was shown as a movement along the curve rather than a shift.

1(b) Again this question proved fairly straightforward for most candidates. There was a tendency to stick with the example offered by the question, though it was only there as a prompt. Students were free to relate their response to whatever examples they knew of where governments provided subsidies in any



appropriate context. There were many very good responses in which candidates were able to provide a detailed synthesis of the impacts of subsidies on appropriate stakeholders.

Question 2

- 2(a) This was potentially a difficult question, however most candidates were generally able to show a very clear understanding of the theory of perfect competition. Good candidates realized that the loss-making firm would always close in the long run, however they might also close in the short run if variable costs were not covered. At the same time the short run and long run concepts as applied to the question were challenging for some, and weaker candidates did not identify what was being asked or they did not understand the shut down concept clearly enough.
- 2(b) Candidates produced, on average, very good responses to part B of this question. The theory of the firm appears to be well understood. Candidates were able to provide significant amounts of well-explained theory to support their evaluation of the question. Stronger candidates applied a range of appropriate examples. Weaker candidates tended not to consider the disadvantages of perfect competition.

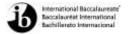
Question 3

- 3(a) This was the least popular question. Essentially what was being asked was straightforward, and the response did not need to go beyond the contents of the syllabus where a simple supply and demand approach is adopted. Good candidates were able to reference actual policy decisions, with respect to interest rates, taken by governments in recent times.
- 3(b) Part B of this question seemed to pose fewer problems. Good students were able to examine the relative merits of using interest rates as a counter inflation policy; stronger candidates opted to consider this in the context of other policies in order to access the "most effective" element of the question. There was significant use of real life examples in the more convincing responses. Weaker candidates tended not to be able to access appropriate synthesis, this together with a lack of examples would prevent access to level 3 as indicated in the level descriptors.

Question 4

- 4(a) This was the most popular question on the paper. Part A was usually well done with better candidates able to cite real world examples of cyclical unemployment. There were also many examples of candidates who confused cyclical unemployment with other types of unemployment. Some candidates simply decided to produce a response in which they recorded everything they knew about unemployment with little reference to what was asked by the question.
- 4(b) The best responses to this part of the question were able to clearly consider the extent to which a loss of tax revenue was more of a problem than other potential consequences. Again good candidates could find real world contexts for this. Some candidates however largely ignored what the question was asking and instead choose to write what they had presumably prepared. This approach frequently became a discussion of policies to cure unemployment and did not score well.

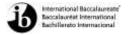
As for examining the consequences there was a preference for social and political factors rather than economic impacts. The more convincing responses tended to consider economic impacts more fully. It



was also easier to cite examples of economic consequences, social and political impacts are more difficult to quantify.

Recommendations and guidance for the teaching of future candidates

- Ensure that students are able to apply real life examples to their responses. To that end, encourage them to read appropriate news media.
- It is a good idea to define the economic terms contained in the question.
- Insist on properly labeled and explained diagrams. Diagrams should only be used if they are
 relevant to the response. However in most responses they are relevant. They should also be
 dynamic in nature in order to show a sequence of events. It is better to draw them in black ink
 so that they scan clearly. If a candidate makes a mistake simply put a cross through the diagram
 and draw the correct diagram below.
- Do not miss topics out in the belief that they will not be examined, because eventually they will be
- Make the Internal Assessment relevant to the accumulation of relevant real world examples.
- Stick to answering what the question is asking; avoid superfluous regurgitation of theory that is not answering the question, this will simply waste time.
- Time management continues to be an issue for some candidates.
- Consider using a thematic approach to some topics centered on a specific country. This should further facilitate students capacity to centre responses around real world examples.



Standard level paper one

Component grade boundaries

Grade: 1 2 3 4 5 6 7

Mark range: 0 - 8 9 - 16 17 - 22 23 - 26 27 - 31 32 - 35 36 - 50

General comments

The May 2017 economics Standard Level paper 1 was viewed by centres as of the appropriate level and of a similar standard to last year. It was good to see there was clear evidence of candidates being effectively prepared for the paper using the comments made in previous examination reports.

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

Candidates performed well on question 2 which covered market failure with many good answers on demerit goods and tax policy to deal with market failure. Candidates also produced good answers on question 3 on interest rate changes and their effect on consumption and investment along with application of monetary policy to deal with inflation.

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

An area where candidates struggled was on question 1 (b) where the application of income elasticity of demand proved particularly difficult. Candidates also struggled with part (a) of question 4 on the difference between actual and potential growth.

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

Question 1

- 1(a) There were many good answers to this question with candidates clearly defining demand, normal goods and inferior goods. Effective responses used theory to show how an increase in income leads to a rise in demand for normal goods and a fall in demand for inferior goods and this was supported with appropriate demand and supply diagrams. The strongest answers illustrated their explanation with specific examples of normal goods and inferior goods.
- 1(b) This part of the question caused candidates the biggest challenge on the paper. Lots of answers did not answer the question specifically enough because they did not show a clear understanding of income elasticity of demand and how it differs between primary goods and manufactured goods. Too many candidates drifted onto price elasticity of demand. Some candidates did, however, produce strong answers with an accurate definition of income elasticity of demand (YED) and explained clearly how



primary commodities tend to have a low YED because they are often necessities and how manufactured goods have a higher YED because they are normal/luxury goods. The best answers would then go on to examine how a rise in income, for example, leads to greater growth in the manufacturing sector of the economy relative to the primary sector. A recession, on the other hand, would have a greater negative impact on the manufacturing sector relative to the primary sector. A general weakness here was that very few students used real world examples to illustrate their answers.

Question 2

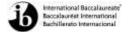
2(a) Question 2 was a popular with candidates and produced plenty of good responses. In part (a) effective answers accurately defined demerit goods and market failure and explained how the over consumption of demerit goods has a negative impact on welfare because of negative externalities and illustrated this accurately with a cost/benefit diagram. The best answers supported this with realworld examples using markets such as cigarettes and alcohol.

2(b) Part (b) also produced some very pleasing answers. Good candidates used clearly defined indirect taxation and explained how raising indirect tax on a good associated with market failure reduced the consumption of the good towards a more socially efficient output. Effective responses used demand and supply diagrams to illustrate this. Many students evaluated their answers by considering how the approach might lead to a contraction of the industry which could cause unemployment and how higher indirect taxation is regressive and negatively affects low income households. It was good to see the best answers supporting their point with real world examples such as indirect tax on cigarettes, alcohol and petrol.

Question 3

3(a) This is a question that produced many good responses. Effective answers accurately defined interest rates, consumption and investment. They then went on to explain how lower interest rates reduced the cost of borrowing and the returns from holding funds for firms and households which led to a rise in consumption and investment. The best students supported their explanation of rising consumption and investment with an AD/AS diagram that showed a rise in aggregate demand as consumption and investment increased. A general weakness responses was a lack of a real world example and it would have been nice to see answers that referred to countries that have reduced interest rates to try and stimulate economic growth.

3(b) Strong responses to this question accurately defined monetary policy and inflation and explained how raising interest rates reduced aggregate demand leading to reduced growth in the average price level in the economy. This explanation was supported by an effective AD/AS diagram that illustrated falling AD and average price level. Good answers went on to evaluate the policy by discussing the difficulties of applying monetary policy to reduce inflation through problems such as: reduced economic growth, the threat of deflation, unresponsive households and firms to interest rate changes and the impact interest rate changes might have on the exchange rate. It was also good to see students considering the relative merits of monetary as a macroeconomic policy tool because of its flexibility. As in part (a) the weakness of many answers was a lack of a real world example to illustrate the application of monetary policy to reduce inflation.



Question 4

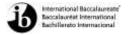
4(a) This question was less popular than question 3 and did not produce quite such good answers. The best responses accurately defined economic growth, actual output and potential output. They then went on to explain how economic growth occurs because of an increase actual output which can occur when aggregate demand increases and there is a rise in potential output when there is an increase in long run aggregate supply. These explanations were then supported by effective AD/AS diagrams and/or a production possibility curves. Not many students used real world examples to support their answers and this is an area that could certainly be improved.

4(b) This question produced many good answers. Effective responses often started by explaining how economic growth was beneficial to countries through rising incomes, reduced poverty, greater employment and better public services as tax revenues increase. The discussion of the benefits of economic growth were then developed by candidates by considering the environmental consequences of growth, the problems of sustainability and how growth often leads to greater income inequality. Students often supported this with AD/AS diagrams. The common weakness was, again, a lack of real world examples. It would have been good to see students support their answers by referring to countries where growth had brought benefits and costs.

Recommendations and guidance for the teaching of future candidates

To improve candidate performance in future examination sessions centres should look to the following areas:

- Encourage students to clearly and accurately define the key terms in the examination question
- Develop the way students use diagrams by making them clear, accurate and referenced in the answer
- Get students to practise clearly answer the question by writing accurate explanations using relevant economic theory
- Encourage students to use real world examples to support their answers to questions
- Develop the way students evaluate their answers by considering: the advantages and disadvantages of a point made, the short and long term consequences and how a point made effects different stakeholders.



Higher level paper two

Component grade boundaries

Grade: 1 2 3 4 5 6 7

Mark range: 0 - 6 7 - 12 13 - 15 16 - 19 20 - 24 25 - 28 29 - 40

General comments

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

The examination seems to have been mainly 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.

Some teachers who filled in the feedback forms still seem unaware that the questions on this paper can come from anywhere in the syllabus, and are not restricted to only learning outcomes from Sections 3 and 4 of the syllabus.

In Section A, the vast majority of students attempted Question 1. In Section B, there was more of a balance, with perhaps slightly more students doing Question 3.

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

- Terms of trade
- Marginal cost
- The link between supply side policies and economic development

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

- Tariff diagram and analysis
- Subsidy diagram and analysis
- PPC
- Lorenz curve



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

SECTION A

Question 1

- 1(a)(i) Virtually all students who attempted this question earned full marks.
- 1(a)(ii) Most students defined the term accurately. Some students neglected to include the term "real" when referring to growth in the value of GDP. Some students erroneously thought that economic growth is an increase in per capita GDP.
- 1(b) As is usually the case, tariff analysis is a popular area for IB students and the majority of students drew a mostly accurate tariff diagram. Errors included not correctly labelling all the curves. Many students provided the textbook diagram with (unnecessarily) all areas labelled with letters and then at some length explained every area on the diagram (e.g. welfare loss, change in imports, change in producer revenue, change in consumer expenditure, government revenue). This was unnecessary, as the only response required was a reference to the tariff revenue. However, what was striking was that amidst this analysis, a great many students did not even refer to the government revenue.
- 1(c) This was a straightforward question and most students accurately showed an increase in AD for Kenya as a result of rising demand for its exports. It was pleasing to see students using accurate terminology such as "net exports are a component of aggregate demand". One not infrequent error was to show an increase in Kenyan SRAS as a result of increased demand for exports.
- 1(d) "Evaluate" requires candidates to make an appraisal by weighing up the strengths and limitations. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

Weaker responses consisted of a very generic tariff analysis with no links to growth. This may have been due to careless reading of the question. Answers scoring in the middle of the range used standard tariff analysis with a one-sided assessment of the effects on economic growth. There were some very good answers where students were really put the tariff analysis into the Kenyan context and then critically evaluate the way in which protectionism could impact economic growth.

Question 2

Very, very few candidates attempted this question and those who did clearly struggled with the terms of trade topic.

- 2(a)(i) Most students were able to note that a CAD involved more spending on imports than revenue from exports, but struggled to include any of the other areas (investment income or transfers).
- 2(a)(ii) Some students remembered that GNI includes income from abroad, but neglected to include income sent abroad.
- 2(b) Although it wasn't required in the question, some students used a demand curve to show how a fall in price when demand is inelastic results in a fall in revenue. As always, there was sloppy language



when writing about elasticity; students often refer to 'big' and 'small' changes, rather than proportionately larger or smaller changes.

- 2(c) This was very weakly done by most students who simply did not understand the term and could not interpret the data.
- 2(d) "Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Since the topic was so badly understood, there were few examples of good answers here. It is hard to know whether this is a poorly understood topic worldwide since the first question was so attractive to the majority of students. However, teachers need to be aware that this topic is tested on both Paper 2 and Paper 3, so it needs to be understood.

SECTION B

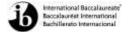
Question 3

- 3(a)(i) Despite the fact that this term comes up quite frequently, many students continue to struggle with an accurate definition, and many still resort to a list of examples.
- 3(a)(ii) Most students scored full marks on this question.
- 3(b) This was generally very well done, with most students achieving at least three marks for a diagram showing a fall in supply. Many students neglected to give a reason for the fall in supply in the explanation. Some students drew an international trade diagram incorporating a subsidy, which revealed a lack of understanding.
- 3(c) This was generally well done, with most students achieving at least three marks for a diagram showing an outward shift in the PPC. Some students neglected to give an accurate reason for the shift in the explanation. When discussing shifts of the PPC, students should be encouraged to consider the effect on the quantity and quality of factors of production.
- 3(d) "Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

The full range of marks was awarded on this question. Near the bottom end, students either had no understanding that market-oriented policies and interventionist policies are two different types of policies or they made no attempt to link the policies to economic development. In good answers, students showed a good awareness of the two types of policies, and made appropriate links to economic development. At the top end, this was accompanied by critical awareness of the effect of the different supply side policies on economic development. Essential to this was putting the response in the context of Indonesian economic development, rather than providing a generic response.

Question 4

4(a)(i) This was generally very well done.



4(a)(ii) Many students were unable to provide an accurate definition, with a notable number of students defining average costs rather than marginal costs.

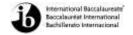
- 4(b) Students need to be aware that they need to use the information in the text to answer the question. In this case, the text made it clear that the depreciation of the kwacha had resulted in rising import costs. Therefore, it was necessary to make the link to a fall in short run aggregate supply. Most students were able to illustrate this, but some faltered in the explanation.
- 4(c) This was generally very well-handled, and most students seem very comfortable with this theory. Errors included inaccurate labels or mixing up the meaning of the values.
- 4(d) "Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Many students were able to explain how over-dependence on a commodity export may be damaging to an economy. Obviously, to do well, there needed to be appropriate links to economic development, and many were not able to do this successfully.

Recommendations and guidance for the teaching of future candidates

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

- Teachers should really encourage their students to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the students are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help students in this important skill, candidates might be encouraged to compile a glossary of terms. Students 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.
- Given the importance of infrastructure to economic development, teachers are advised to stress that students need to be able to define it accurately.
- Terms of trade is a topic that may be tested on Paper 2 and on Paper 3. This seems to be an area where students struggle. At the very least, students need to be able to define the terms and interpret the data, even if they might struggle on an extended part (d) response.
- In part (a) questions, students should be encouraged to write no more than two sentences, for defining, listing, stating, or describing. Some candidates write far too much and then suffer time problems later in the paper.
- Many questions (b) and (c) 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), students should be sure to use/explain the diagram by making references to it in the response. The diagram and the explanation must be integrated with each other. Students 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.
- If at all possible, diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.



- Students should take about a third of a page to draw their diagrams, and should use a ruler to make sure that it is done neatly so that the information is clear.
- It is the policy that students are not allowed to use coloured pens/pencils on their exams. Therefore there should not be references to different coloured lines in the diagram, as these will not show up when the papers are scanned. However, they should be sure to use arrows to indicate the direction of change of any variables.
- Diagrams should be made appropriate to the question and/or the market in the question.
- Students must be able to distinguish between macroeconomic and microeconomic labelling.
 Failure to label diagrams correctly prevents students from achieving full marks. Some students seem to indiscriminately label all diagrams with price and quantity, even PPC or Lorenz curve diagrams.
- Students must be taught to carefully identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram. In Question 1b on this paper, there were a remarkable number of students who explained everything about the tariff diagram. This illustrates a poor allocation of scarce time.
- Where a diagram is required, the questions stipulate which diagram is to be used. Despite this, students often draw different ones. This is yet another reason why it is so important to read the question carefully.
- Students could be advised to re-read a question once they have finished writing their answer. This can serve as a self-check to make sure that the question is actually answered. In many cases, students come very close, but don't actually answer the question set and they would easily get the full marks if they added just one line to present a clear answer to the actual question. This might have helped in Question 1b on this paper.
- Students must be reminded that to achieve top marks in questions (d), they must make reference to the text. Encourage students to use quotation marks, or make references to the relevant paragraphs or texts.
- Part (d) answers also require students 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 that reach the top band must illustrate that the student can clearly use/apply that theory. Students 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. Students should also be encouraged to draw a diagram in part (d) as the basis for economic analysis.
- In Section B, the part (d) answers are inevitably linked to economic development, and so the students must be very explicit in making this link. Too often, the students reveal a lack of awareness of the difference between economic growth and economic development.
- Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...' Each of the command terms has an explanation of the depth required in the response given by the IB in the syllabus guide and students 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. Students should be encouraged to fully 'engage' with the case study, in order to be able to apply the theory.
- Examiners are concerned at the extent to which students are uncritically paraphrasing the texts
 in their part (d) answers. Students should be encouraged to think critically about the information
 in the text.



Standard level paper two

Component grade boundaries

Grade: 1 2 3 4 5 6 7

Mark range: 0 - 4 5 - 9 10 - 15 16 - 20 21 - 24 25 - 29 30 - 40

General comments

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

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

The performance of candidates seemed to be better in the International Economics section than in the Development Economics section. This may imply that centres should spend more time covering development topics than they are doing at the moment.

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

- Exchange rates
- The Lorenz curve and Gini coefficient
- Debt servicing

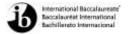
The areas of the programme and examination in which candidates appeared well prepared

- Tariffs
- Elimination of subsidies
- Production possibilities curves (PPC's)

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

SECTION A

Question 1 seemed to be far more popular than question 2, presumably because it related to trade protection, a popular topic with candidates and teachers.



Question 1

1(a)(i) Virtually all students who attempted this question earned full marks.

1(a)(ii) Most students defined the term accurately. Some students neglected to include the term "real" when referring to growth in the value of GDP. Some students erroneously thought that economic growth is an increase in per capita GDP.

1(b) As is usually the case, tariff analysis is a popular area for IB students and the majority of students drew a mostly accurate tariff diagram. Errors included not correctly labelling all the curves. Many students provided the textbook diagram with (unnecessarily) all areas labelled with letters and then at some length explained every area on the diagram (e.g. welfare loss, change in imports, change in producer revenue, change in consumer expenditure, government revenue). This was unnecessary, as the only response required was a reference to the tariff revenue. However, what was striking was that amidst this analysis, a great many students did not even refer to the government revenue.

1(c)

1(d) "Evaluate" requires candidates to make an appraisal by weighing up the strengths and limitations. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

Weaker responses consisted of a very generic tariff analysis with no links to growth. This may have been due to careless reading of the question. Answers scoring in the middle of the range used standard tariff analysis, with a one-sided assessment of the effects on economic growth. There were some very good answers where candidates really put the tariff analysis into the Kenyan context, and then critically evaluated the way in which protectionism could impact economic growth.

Question 2

2(a)(i) Most candidates were aware that it was a fall in the exchange rate of a currency, but many did not state that it was in a floating exchange rate system, or caused as a result of market forces (supply and demand).

2(a)(ii) This was not, on the whole, well answered. Many candidates seemed to be unaware of the components of the balance of payments. Better responses explained that it was a measure of the net flow of funds from trade in goods and services, net incomes, and transfers, but they were few and far between.

2(b) Most candidates explained that the slowing growth in China would lead to a fall in demand for Australian exports, and so a fall in demand for the Australian dollar, thus reducing the exchange rate. They also drew a suitable diagram. Weaker candidates labelled the diagram poorly and did not link the fall in demand for exports with the fall in demand for the Australian dollar. Some candidates were confused between depreciation and recession and drew AD/AS diagrams.

2(c) This was generally very well answered. Most candidates drew a demand and supply diagram, with a fall in demand and an increase in supply, and indicated falling prices of iron ore. They then explained the situation. Weaker candidates only showed one of the effects, i.e. the fall in demand or the increase in supply.



2(d) "Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Weaker responses consisted of a simple, usually short, list of possible consequences of a fall in the value of a currency. Answers scoring in the middle of the range identified consequences and explained them in relation to the Australian economy, but they tended to be one-sided. There were some very good answers, where candidates explained a number of consequences, both positive and negative, in the context of the Australian economy, and then critically evaluated their impact in a balanced manner.

SECTION B

Question 3 seemed to be a little more popular than Question 4, although it was not necessarily better answered.

Question 3

3(a)(i) Although it has been asked before, this was not well answered. Many candidates seem to be under the misapprehension that giving examples of infrastructure is the same as defining it.

3(a)(ii) Again, this was not well answered by many candidates. They seemed to be unaware that it is a form of integration where member countries trade freely among themselves, while adopting common trade policies towards non-member countries. It tended to be the treatment of non-member countries that was not understood.

- 3(b) Most candidates drew a suitable Lorenz curve diagram, with two curves, and the curve closer to the line of equality labelled as Angola. However, many were unable to label the axes correctly. Explanations were normally correct, although some failed to use the diagram to help the explanation.
- 3(c) Many candidates drew a subsidy diagram and then explained that a removal of the subsidy would increase firms' costs, leading to a fall in supply, with a higher price and a lower quantity demanded and supplied. Weaker candidates were not able to draw an appropriate diagram and so were unable to answer the question effectively.
- 3(d) "Compare and contrast" requires candidates to give an account of similarities and differences between two (or more) items or situations, referring to both (all) of them throughout.

Candidates seemed to like the 'compare and contrast' command term and many wrote at length. However, weaker responses were often purely descriptive, simply restating information about Angola and Namibia from the extracts and data. Very few considered how likely the factors were to promote economic development.

Better candidates defined the concept of economic development. They then identified the similarities and differences between the data for the two countries, evaluating them in terms of their relevance for the countries to achieve, or be blocked from, economic development.

Question 4

4(a)(i) Virtually all students who attempted this question earned full marks.



4(a)(ii) Most candidates realised that it was a movement of ownership of companies from the state to the private sector. Weaker candidates simply did not recognise the term.

- 4(b) Better responses drew a PPC diagram, with an outward shift of the PPC, and explained that China's investment in infrastructure would improve the quantity and/or quality of capital, increasing potential output (production possibilities). Weaker candidates were unable to draw an appropriate diagram and wrote vaguely about increased infrastructure causing economic growth.
- 4(c) This was generally well answered. Most candidates could define opportunity cost and then explain that money spent on debt-servicing had an opportunity cost that was the reduction of the ability of the Sri Lankan government to spend on achieving development objectives, such as infrastructure spending, or reducing youth unemployment. Weaker candidates defined opportunity cost, but could not apply the concept to the Sri Lankan economy.
- 4(d) "Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Stronger candidates introduced market-oriented reforms, such as investing in infrastructure, opening up the financial system, trade liberalization, and liberalizing the currency. They then explained the possible outcomes of the reforms, in the context of the text, and their possible relevance/effectiveness for Sri Lanka's economic development.

A significant number of weaker candidates were not really aware of the meaning of market-oriented reforms and wrote in very general terms about economic development and how it might be achieved.

Recommendations and guidance for the teaching of future candidates

Many will note that these suggestions have appeared in previous examiner reports at both Standard and Higher Level. However, since the structure of the questions and the expectations have not changed, the advice remains largely the same!

- Teachers should encourage their students to learn precise definitions, as the use of precise and accurate economic terminology will enhance performance on all assessment components. If the students are confident in their knowledge of definitions, they can proceed quickly through the first part of each data response question. To help students in this important skill, candidates might be encouraged to compile a glossary of terms. Students 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. Examples are not definitions.
- In part (a) questions, students should be encouraged to write no more than two sentences, for defining, listing, stating, or describing. Some candidates write far too much and then suffer time problems later in the paper.
- Many questions (b) and (c) 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), students should be sure to use/explain the diagram by making references to it in the response. The diagram and the explanation must be integrated with each other. Students 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.



- If at all possible, diagrams should not be placed at the end of the exam. They should be drawn exactly where the accompanying explanation is written.
- Students 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.
- Diagrams should be made appropriate to the question and/or the market in the question.
- Students must be able to distinguish between macroeconomic and microeconomic labelling. Failure to label diagrams correctly prevents students from achieving full marks.
- Students must be taught to identify what a question is asking for in parts (b) and (c). They should make sure that their diagrams address the specific question that is asked, rather than write all about every aspect of a diagram, such as in the tariff question, 1(b).
- Where a diagram is required, the questions now always stipulate which diagram is to be used.
 Despite this, students often draw different ones. This is yet another reason why it is so important to read the question carefully.
- Students could be advised to re-read a question once they have finished writing their answer.
 This can serve as a self-check to make sure that the question is actually answered. In many
 cases, students come very close, but don't actually answer the question set and they would
 easily get the full marks if they added just one line to present a clear answer to the actual
 question.
- Students must be reminded that to achieve top marks in questions (d), they must make reference to the text. Encourage students to use quotation marks, or make references to the relevant paragraphs or texts.
- Part (d) answers also require students 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 student can clearly use/apply that theory. Students need to show an examiner that they have studied an economics course, not simply that they can use some economic words that appear in a question or in the text.
- Candidates must be aware of the different command terms that may be employed in part (d) questions and the evaluation/synthesis skills that are being tested. The synthesis/evaluation command terms are 'compare', 'compare and contrast', 'discuss', 'evaluate', 'examine', 'justify', and 'to what extent...' Each of the command terms has an explanation of the depth required in the response given by the IB in the syllabus guide and students 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. Students should be encouraged to fully 'engage' with the case study, in order to be able to apply the theory.
- Examiners are concerned at the extent to which students are uncritically paraphrasing the texts in their part (d) answers. Students should be encouraged to think critically about the information in the text.



Higher level paper three

Component grade boundaries

Grade: 1 2 3 4 5 6 7

Mark range: 0 - 4 5 - 9 10 - 14 15 - 21 22 - 27 28 - 34 35 - 50

General comments

The May 2017 paper was of a similar level of difficulty to that of November 2016. Candidates are required to perform quantitative techniques and demonstrate their knowledge and understanding of economic concepts with a reasonable degree of precision.

Candidates' ability to perform quantitative techniques was mixed. It is clear that many candidates have been well prepared to apply those techniques which have appeared in previous examinations, while they struggled to apply those which have been examined for the first time. In particular, only a minority of candidates were able to apply data to the concept of "returns to scale". When required to outline or explain economic concepts and relationships many candidates demonstrated a general understanding but were not able to explain ideas with the expected degree of precision.

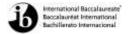
Even when the markscheme had provided clear guidance in the past to a similar question, the majority of candidates struggled to answer the question, which asked "Explain why a profit-maximizing monopolist would never choose to operate on the inelastic portion of its demand curve." which has appeared in a previous session and for which the markscheme and Examiner Report provided clear guidance. It is evident that candidates did not heed the advice provided in the past.

Candidates were able to demonstrate the ability to explain economic concepts, although weaker responses consists of statements rather than explanations. For example, although many candidates recognised and stated the J-Curve effect, explanations were often limited.

The trend of fewer rounding errors and missing units continues, although far too many candidates forfeit marks for simple oversights in the presentation of their work. Marks were also lost because percentages were not calculated based on original values.

The volume of work expected in the time allowed for HP3 has increased steadily in recent years, but there was little evidence that the work of candidates suffered from the time constraint.

Although the quantitative techniques examined have become a little more challenging in recent sessions, the level of mathematical ability required for this component is still at a very basic level. This component is accessible to all IB Diploma students.



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

Section One - microeconomics

- Returns to scale
- Interpretation of a total revenue curve
- Calculation of marginal revenue
- Explanation of why a profit-maximising monopolist would never choose to operate on the inelastic portion of its demand curve.
- Non-achievement of allocative efficiency in monopolistic competition
- Calculation of social surplus
- Calculation of consumer surplus following the imposition of a price ceiling

Section Two - macroeconomics

- · Recognition of disinflation from given/produced data
- Recognition of the reason for using a weighted price index
- Understanding of a price index with 100 as the base year index number
- The potential usefulness of a producer price index

Section Three – international economics

 Calculation of the current account balance – many candidates were not able to determine which items from the table should be excluded.

Section Four – development economics

· Inequality as a barrier to development

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

Section One - microeconomics

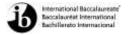
- Calculation of average revenue from a total revenue graph
- Calculation of price elasticity of demand
- Analysis of monopolistic competition profits and movement to long run equilibrium

Section Two - macroeconomics

- Inflation and disinflation
- · Calculation of the rate of inflation from given CPI data
- · Recognition of degrees of inequality from given data
- Lorenz curves and Gini coefficient
- Poverty traps

Section Three - international economics

- Definition of comparative advantage
- Calculation of government revenue from a tariff
- The relationship between the current account balance and the exchange rate



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

Question 1

- 1(a) Few candidates were able to provide a precise definition, with the majority confusing returns to scale with returns to a variable factor.
- 1(b) The majority of candidates did not appear to recognize that all inputs were increasing at the same rate, while this rate (the percentage increase) changed as the level of inputs increased. Most of the students who attempted to use the data to illustrate the concept referred to the absolute increases in output rather than the percentage increases.
- 1(c)(i) Although a significant minority of candidates recognized that marginal revenue is zero when total revenue is maximized, the majority did not.
- 1(c)(ii) Generally answered well, although a significant proportion of candidates gave the total revenue figure rather than the marginal revenue, or omitted the \$ sign and so were penalized.
- 1(c)(iii) Although stronger candidates coped well with this question, a large number of scripts multiplied the total revenue (300) by the level of output (2) to arrive at an incorrect total revenue. Several candidates provided an answer of \$20, ie a "per unit profit" rather than simply profit.
- 1(d) Many candidates provided an answer of \$24, neglecting to divide by the change in quantity. Weaker candidates struggled to provide or apply a formula.
- 1(e) Despite the fact that elasticity calculations have appeared in several previous papers, a significant number of candidates continue to make simple errors such as inverting the formula or miscalculating percentages. A significant number of candidates expressed their answer as a percentage.
- 1(f) Responses to this question were almost without exception very weak. Some candidates explained that a fall in price would reduce revenue if demand is price inelastic, but offered little else. It was rare to see a response which explained why profit can always be increased by raising price when demand is price inelastic. A very small number of candidates had been well-prepared, explaining that if marginal revenue is negative, and since marginal cost cannot be negative, profit cannot be maximized.
- 1(g) Generally well-answered, although some candidates referred to "different products" rather than "differentiated products". A small number of candidates confused monopolistic competition with monopoly.
- 1(h) Generally well answered. A common error was to provide a "per unit" answer of \$4.
- 1(i) The majority of candidates were able to explain the exit of some loss-making firms. However, many scripts then referred to "a fall in average cost" as the reason why AR = AC in the long run. A small number of candidates wrote that the firm would need to eliminate losses by the application of appropriate marketing strategies.
- 1(j) Most candidates were able to state the condition for allocative efficiency, but struggled to show that since MR must equal MC for maximum profit and P>MR, since demand is negatively sloped, then P>MC, so allocative efficiency cannot be achieved)

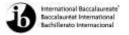


Question 2

- 2(a) A significant number of students were able to produce the correct answer, although many calculated consumer surplus only or selected different areas of the graph. Others simply multiplied price by quantity. Marks were forfeited due to incorrect use of units (\$, 000).
- 2(b)(i) Generally well-answered, with "unit errors" as above.
- 2(b) (ii) The majority of candidates struggled with this question, calculating the new CS as \$40 500, neglecting the fact that output falls to 6 000 units since consumer surplus refers to units of the good actually purchased quantity supplied has fallen with the imposition of a price ceiling, and so consumers are unable to purchase more than the new market supply.
- 2(b)(iii) Many provided an answer of (9000 6000)/2 = \$1,500). Candidates who answered correctly appeared to recognize the appropriate area of the graph and calculated correctly.
- 2(c) Generally well answered.
- 2(d)(i) Well answered. Weaker candidates referred to "greater efficiency" or did not refer to the idea that opportunity cost is lower in comparison to another country. A significant minority confused absolute advantage with comparative advantage.
- 2(d)(ii) Stronger candidates referred to the existence of transport costs and protectionism, the static nature of the model and the potential disadvantages of over-specialisation. However, many scripts relied simply on the assumption of two products, two countries, whereas the principle of comparative advantage is a model which can be generalized, and the simplifying assumptions are not limitations of the model.
- 2(e) Generally well done. A surprising number of scripts contained a calculation showing $2 \times 3 = 5$.
- 2(f)(i) It was disappointing to see so many candidates calculate incorrectly, either by including all items provided in the calculation or by failing to recognize that net current transfers and net investment income should be included.
- 2(f)(ii) The majority of candidates recognized that a current account deficit would lead to a currency depreciation, but many neglected to provide an outline which referred to demand/supply of the currency. It was also common for candidates to suggest that depreciation would be the result of a government policy to correct the deficit.
- 2(g)(i) Well answered.
- 2(g)(ii) It was pleasing to note that many candidates recognized the significance of the Marshall-Lerner condition and/or the J-Curve effect. Weaker candidates stated that elasticities would change, causing improvement in the current balance, while stronger candidates explained that the relative prices of exports and imports would change, leading to different effects on the value of (X-M) in the short and long run.

Question 3

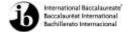
3(a) Generally well-answered. Weaker candidates confused disinflation with deflation.



- 3(b)(i) Weaker candidates struggled, but the majority were able to calculate correctly, although some rounding errors were in evidence.
- 3(b)(ii) It was very surprising to see how many students provided correct calculations in bi but then selected "2015" as the year of disinflation. This suggests that they learned the definition but did not understand the concept.
- 3(c)(i) Stronger candidates were able to outline why weights are used for a CPI, but many simply stated that they represented the proportion of income spent on a product, therefore not directly answering the question. Some candidates suggested that the use of weights allowed statisticians to exclude price-volatile products. Many others suggested that it allows year on year comparisons to be made.
- 3(c)(ii) Surprisingly, the vast majority of candidates simple calculated the year on year rate of inflation, not recognizing that the CPI in the base year would have been 100.
- 3(d) Weaker candidates were clearly unaware of the existence of a producer price index. Many. however, were able to relate the PPI to production costs, thus indicating potential future inflation
- 3(e) Stronger candidates were able to explain that deflation is typically caused by a decrease in aggregate demand, with its associated effects. However, many candidates simply stated a list of effects, such as unemployment, falling GDP, low growth, bankruptcies, without explanation. Stronger candidates added balance to their answers by referring to the cause of a deflationary spiral or the effects of increasing real debt levels.
- 3(f) Generally very well done. Weaker candidates did not use the data.
- 3(g)(i) The majority of students were able to sketch appropriate Lorenz curves and label axes. However, it is not appropriate to draw two curves in different colours and label as such examiners read scripts in black and white.
- 3(g)(ii) Generally well-answered.
- 3(h) Weaker students provided a vague definition which related to persistent poverty without accurate elaboration. Those who identified the linked elements of a cycle, with several possible versions, were rewarded.
- 3(i) A large proportion of students simply repeated their previous answer here, describing the poverty trap and failing to relate to development. It was common to see scripts which simply referred to poor people being unable to afford goods, so living standards would fall. Responses which referred to the opportunity costs of welfare payments or to the link between inequality, corruption and power, while relating specifically to economic development, were rewarded.

Recommendations and guidance for the teaching of future candidates

Students should be introduced carefully to the mathematical concepts inherent in the course, particularly relating to the theory of the firm. For example, the distinction between returns to scale and the law of diminishing returns can be illustrated effectively with figures and such illustration acts as an aid to learning.



Such relationships can also be used effectively when explaining concepts. For example, if demand is price inelastic and therefore MR is negative, while MC must be positive, then it is impossible to maximise profit (MC = MR) when demand is price inelastic.

Student should be prepared to explain concepts/reasons/limitations rather than simply to state them. For example, it is not sufficient to merely state that the assumption of zero transport costs is a limitation of the theory of comparative advantage.

Candidates should be reminded to read questions carefully, and use the data provided in their answer if required.

Candidates should be instructed to write within the boxes provided only, and to use additional sheets if required. Colours should not be used/referred to as examiners are unable to distinguish between different colours.

Candidates should be reminded to show workings and to use the correct units and round to 2 decimal places.

Students should focus on the question being asked. For example, the two key points of the final question were "highly unequal" and "barrier to economic development", which are not explained merely with a description of poverty.

