|  |
| --- |
| ***Name: Class group :***  **Class of 2015 + 2016**  **(last updated @ August 22, 2014)**    **Webnote 601** |
| ***Revision + course guide for SL and HL Economics 2011-2015*** |
| **SYLLABUS OUTLINE[[1]](#footnote-1) : HL *185* Things to do!**    **SYLLABUS OUTLINE[[2]](#footnote-2) : SL *119* Things to do!** |

**How important is each topic listed in the syllabus?**

**Weighting for items in the syllabus: read carefully! It will save you valuable time.**

**1 = define**

**Is a "term/ word" in the syllabus?**

Do a search? Select **" Control f "** and you can search for the "term / word".

**2 = define + example**

**3 = define +example + diagram**

**4 = important concept requiring ability to explain + analyse**

**5 = critical concept requiring ability to evaluate/discuss**

|  |  |  |
| --- | --- | --- |
| **Process Folio Completion Dates** | **Teaching Hours** | |
| |  | | --- | | **Section 1: Microeconomics** | | **1.1 Competitive markets: demand and supply (some topics HL only) Completion Date: September 20** | | **1.2 Elasticity Completion Date: September 30** | | **1.3 Government intervention (some topics HL extension, plus one topic Completion Date: October 31** | | **HL only)** | | **1.4 Market failure (some topics HL only) Completion Date: November30** | | **1.5 Theory of the firm and market structures (HL only) Completion Date: February 28** | | 35 | 95 |
| |  | | --- | | **Section 2: Macroeconomics** | | **2.1 The level of overall economic activity (one topic HL extension) Completion Date: March 15** | | **2.2 Aggregate demand and aggregate supply (one topic HL only) Completion Date: April 15** | | **2.3 Macroeconomic objectives (some topics HL extension, plus one topic HL only) Completion Date: May 21** | | **2.4 Fiscal policy Completion Date: August 25 (Grade 12)** | | **2.5 Monetary policy September 10 (Grade 12)** | | **2.6 Supply-side policies September 20 (Grade 12)** | | 40 | 50 |
| |  | | --- | | **Section 3: International economics** | | **3.1 International trade (one topic HL extension, plus one topic HL only) September 30 (Grade 12)** | | **3.2 Exchange rates (some topics HL extension) October 15 (Grade 12)** | | **3.3 The balance of payments (one topic HL extension, plus some topics HL only) October 30 (Grade 12)** | | **3.4 Economic integration (one topic HL extension) November 15 (Grade 12)** | | **3.5 Terms of trade (HL only) January 30 (Grade 12) Syllabus read with notes and dictionary.** | | 25 | 45 |
| |  | | --- | | **Section 4: Development economics** | | **4.1 Economic development Completion Date: October 8** | | **4.2 Measuring development Completion Date: October 31** | | **4.3 The role of domestic factors Completion Date: November 24** | | **4.4 The role of international trade (one topic HL extension) Completion Date: January 30** | | **4.5 The role of foreign direct investment (FDI) Completion Date: February 28** | | **4.6 The roles of foreign aid and multilateral development assistance Completion Date: March 31** | | **4.7 The role of international debt Completion Date: April 30** | | **4.8 The balance between markets and intervention Completion Date: May 29** | | 30 | 30 |
| **Internal assessment**  Portfolio of three commentaries | 20 | 20 |
| **Total teaching hours required** | **1**  **5**  **0** | **2**  **4**  **0** |

**NOTE: Penalties will apply for not meeting the completion dates.**

| **2013** syllabus @    http://economics.isdedu.de |
| --- |
| This guide will help you to work through the syllabus independently. In this you have a detailed and complete list of all the content you are required to know and understand. |
| Please use the various columns to help you guide your work. Some live hyperlinks links are also included (See ‘video’ column) to help you to find key parts of the syllabus for revision either for short video clips **(PAJ)** or for powerpoint slides **(PP).** Webnotes are numbered for your attention and numbers in brackets are worksheets that should also be useful for revision)  Tip! Use this document each time you do reading in the syllabus and tick of each item as you take notes! |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ITEM** | **sl** | **hl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | **Reading** | **Example** | **U-tube** | **W E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| Section 1: Microeconomics  **1.1 Competitive markets: Demand and supply** | | | | | | | | | |
|  |  |  |  | **1.1 Competitive markets: Demand and supply** |  |  |  |  |  |
| **Markets** | | | | | | | | | |
| **1** |  |  | The nature of markets | Outline the meaning of the term market. | Blink c 1+ c2 | **Example** | **U-tube** | **2** | **100-114** |
| **Demand** | | | | | | | | | |
| **2** |  |  | The law of demand | * Explain the negative causal relationship between price and   quantity demanded.   * Describe the relationship   between an individual  consumer’s demand and market demand. | Blink c 1+ c2 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/playlist?list=PL85865CBB7B1E6C85) | **3** | **229** |
| **3** |  |  | The demand curve | * Explain that a demand curve represents the relationship between the price and the quantity demanded of a product, *ceteris paribus*. * Draw a demand curve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **110** |
| **4** |  |  | The non-price  determinants of  demand (factors that  change demand or shift  the demand curve) | * Explain how factors including changes in income (in the cases of normal and inferior goods), preferences, prices of related goods (in the cases of substitutes and complements) and demographic changes   may change demand. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **229**  **229** |
| **5** |  |  | Movements along and  shifts of the demand  curve | * Distinguish between   movements along the demand  curve and shifts of the demand  curve.   * Draw diagrams to show   the difference between  movements along the demand  curve and shifts of the demand  curve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **229**  (**235**) worksheetin red |
| **ITEM** | **sl** | **hl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | **Reading** | **Example** | **U-tube** | **W e**  **i**  **gh**  **t** | **W**  **e**  **b**  **n**  **o**  **t**  **e** |
| **6**  **HL**  **(only)** |  |  | Linear demand  functions (equations),  demand schedules and  graphs | • Explain a demand function  (equation) of the form  Qd = a – bP.  • Plot a demand curve from a  linear function  (eg. Qd = 60 – 5P).  • Identify the slope of the  demand curve as the slope  of the demand function  Qd = a – bP, that is –b  (the coefficient of P).  • Outline why, if the “a” term  changes, there will be a shift of  the demand curve.  • Outline how a change in “b”  affects the steepness of the  demand curve. | Blink c 3 | **Example** | **U-tube** | **3** |  |
| **Supply** | | | | | | | | | |
| **7** |  |  | The law of supply | * Explain the positive causal   relationship between price and  quantity supplied.   * Describe the relationship   between an individual  producer’s supply and market  supply. | Blink c 1+ c2 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/playlist?list=PL85865CBB7B1E6C85) | **3** | **228** |
| **8** |  |  | The supply curve | * Explain that a supply curve   represents the relationship  between the price and the  quantity supplied of a product,  *ceteris paribus*.   * Draw a supply curve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **111** |
| **9** |  |  | The non-price  determinants of supply  (factors that change  supply or shift the  supply curve) | * Explain how factors including   changes in costs of factors  of production (land, labour,  capital and entrepreneurship),  technology, prices of related  goods (joint/competitive  supply), expectations, indirect  taxes and subsidies and the  number of firms in the market  can change supply. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **228**  **228** |
| **10** |  |  | Movements along and  shifts of the supply  curve | • Distinguish between  movements along the supply  curve and shifts of the supply  curve.  • Construct diagrams to show  the difference between  movements along the supply  curve and shifts of the supply  curve. | Blink c 1+ c2 | **Example** | **U-tube** | **3** | **228**  **(236)**  worksheetin red |
| **11**  **HL**  **(only)** |  |  | Linear supply functions,  equations and graphs | * Explain a supply function   (equation) of the form  Qs = c + dP.  • Plot a supply curve from a  linear function (eg, Qs = –30 +  20 P).  • Identify the slope of the supply  curve as the slope of the  supply function Qs = c + dP,  that is d (the coefficient of P).  • Outline why, if the “c” term  changes, there will be a shift of  the supply curve.  • Outline how a change in “d”  affects the steepness of the  supply curve. | Blink c 3 | **Example** | **U-tube** | **3** |  |
| **Market equilibrium** | | | | | | | | | |
| **12** |  |  | Equilibrium and  changes to equilibrium | * Explain, using diagrams, how demand and supply interact to produce market equilibrium. * Analyse, using diagrams   and with reference to excess  demand or excess supply, how  changes in the determinants of  demand and/or supply result in  a new market equilibrium. | Blink c 1+ c2 + c3 | **Example** | **U-tube** | **3** | **108**  **(262)**  worksheetin red |
| **13**  **HL**  **(only)** |  |  | Calculating and  illustrating equilibrium  using linear equations | Calculate the equilibrium price  and equilibrium quantity from  linear demand and supply  functions.  • Plot demand and supply  curves from linear functions,  and identify the equilibrium  price and equilibrium quantity.  • State the quantity of excess  demand or excess supply in  the above diagrams. | Blink c 3 | **Example** | **U-tube** | **3** |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **The role of the price mechanism** | | | | | | | | | |
| **14** |  |  | Resource allocation | * Explain why scarcity   necessitates choices that  answer the “What to produce?”  question.  • Explain why choice results in  an opportunity cost.  • Explain, using diagrams, that  price has a signaling function  and an incentive function,  which result in a reallocation of  resources when prices change  as a result of a change in  demand or supply conditions. | Blink c 1+ c2 | **Example** | **U-tube** | **4** | **108**  **104**  **102** |
| **Market efficiency** | | | | | | | | | |
| **15** |  |  | Consumer surplus | * Explain the concept of   consumer surplus.   * dentify consumer surplus on a demand and supply diagram. | Blink c 1+ c2 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=qTxniCLYgok)  [PAJ](http://www.youtube.com/watch?v=vQgjpRQ5wxI) | **3** | **106** |
| **16** |  |  | Producer surplus | * Explain the concept of   producer surplus.   * Identify producer surplus on a demand and supply diagram. | Blink c 1+ c2 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=MinxczZXtKA) | **3** | **106** |
| **17** |  |  | Allocative efficiency | * Explain that the best allocation of resources from society’s point of view is at competitive market equilibrium, where social (community) surplus (consumer surplus and producer surplus) is maximized (marginal benefit = marginal   cost). | Blink c 1+ c2 | **Example** | **U-tube** | **4** | **104**  **106**  **267** |
| **TOK**  **Theory of knowledge: potential connections**  To what extent is it true to say that a demand curve is a fictional entity?  What assumptions underlie the law of demand? Are these assumptions likely to be true? Does it  matter if these asssumptions are actually false? | | | | | | | | | |
|  |  |  |  | **1.2 Elasticity** | Blink c 4 | **Example** | **U-tube** |  |  |
| **Price elasticity of demand (PED)** | | | | | | | | | |
| **18** |  |  | Price elasticity of demand and its  determinants | • Explain the concept of price elasticity of demand,  understanding that it involves responsiveness of  quantity demanded to a change in price, along a given  demand curve.  • Calculate PED using the following equation.  ***PED=***  ***percentage change in quantity demanded divided by percentage change in price***  • State that the PED value is treated as if it were positive  although its mathematical value is usually negative.  • Explain, using diagrams and PED values, the concepts  of price elastic demand, price inelastic demand, unit  elastic demand, perfectly elastic demand and perfectly  inelastic demand.  • Explain the determinants of PED, including the number  and closeness of substitutes, the degree of necessity,  time and the proportion of income spent on the good.  • Calculate PED between two designated points on a  demand curve using the PED equation above.  • Explain why PED varies along a straight line demand  curve and is not represented by the slope of the  demand curve. | Blink c 4 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=MNiEHvw6TTg)  [PAJ](http://www.youtube.com/watch?v=DB6rmbAegvE)  [PP](http://economics.isdedu.de/2.2/206-ped-tr.ppt" \t "mainFrame)  [PAJ](http://www.youtube.com/watch?v=MNiEHvw6TTg)  [PAJ](http://www.youtube.com/watch?v=DB6rmbAegvE) | **3** | **201**  **202**  **201**  **202** |
| **19** |  |  | Applications of price  elasticity of demand | • Examine the role of PED for firms in making decisions  regarding price changes and their effect on total  revenue.  • Explain why the PED for many primary commodities is  relatively low and the PED for manufactured products is  relatively high.  • Examine the significance of PED for government in  relation to indirect taxes. | Blink c 4 | **Example** | **U-tube** | **4** | **708**  **241** |
| **Cross price elasticity**  **of demand and its determinants** | | | | | | | | | |
| **20** |  |  |  | • Outline the concept of cross price elasticity of demand,  understanding that it involves responsiveness of  demand for one good (and hence a shifting demand  curve) to a change in the price of another good.  • Calculate XED using the following equation.  ***XED***  ***percentage change in quantity demanded of good x divided by***  ***percentage change in price of good y***  • Show that substitute goods have a positive value of  XED and complementary goods have a negative value  of XED.  • Explain that the (absolute) value of XED depends on the  closeness of the relationship between two goods. | Blink c 4 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=blA5cFnq8Bw) | **3** | **204** |
| **21** |  |  | Applications of cross price elasticity of  demand | • Examine the implications of XED for businesses if prices  of substitutes or complements change. | Blink c 4 | **Example** | **U-tube** | **3** | **204** |
| **Income elasticity of demand**  **and its determinants** | | | | | | | | | |
| **22** |  |  |  | • Outline the concept of income elasticity of demand,  understanding that it involves responsiveness of  demand (and hence a shifting demand curve) to a  change in income.  • Calculate YED using the following equation.  ***YED =***  ***percentage change in quantity demanded divided by percentage change in income***  • Show that normal goods have a positive value of YED  and inferior goods have a negative value of YED.  • Distinguish, with reference to YED, between necessity  (income inelastic) goods and luxury (income elastic)  goods. | Blink c 4 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=LHv4SnEUcZA) | **3** | **204** |
| **23** |  |  | Applications of income  elasticity of demand | • Examine the implications for producers and for the  economy of a relatively low YED for primary products, a  relatively higher YED for manufactured products and an  even higher YED for services. | Blink c 4 | **Example** | **U-tube** | **3** | **204** |
| **For Revision use:**   * [**263: Worksheet: Price Elasticity of Demand (PeD)**](http://economics.isdedu.de/2.2/263-ped.doc) * [**264: Worksheet: elasticity and taxes**](http://economics.isdedu.de/2.2/264-tax-elasticity-slope)   **Price elasticity of supply**  **and its determinants** | | | | | | | | | |
| **24** |  |  |  | • Explain the concept of price elasticity of supply,  understanding that it involves responsiveness of  quantity supplied to a change in price along a given  supply curve.  • Calculate PES using the following equation.  ***PES=***  ***percentage change in quantity supplied divided by***  ***percentage change in price***  • Explain, using diagrams and PES values, the concepts  of elastic supply, inelastic supply, unit elastic supply,  perfectly elastic supply and perfectly inelastic supply.  • Explain the determinants of PES, including time,  mobility of factors of production, unused capacity and ability to store stocks. | Blink c 4 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=20b_zVHmZG0) | **3** | **204** |
| **25** |  |  | Applications of price  elasticity of supply | • Explain why the PES for primary commodities is  relatively low and the PES for manufactured products is  relatively high. | Blink c 4 | **Example** | **U-tube** | **3** |  |
|  |  |  |  | **1.3 Government intervention- 3 types** | Blink c 5 | **Example** | **U-tube** |  |  |
| **(1) Indirect taxes** | | | | | | | | | |
| **26** |  |  | Specific (fixed amount)  taxes and *ad valorem*  (percentage) taxes and  their impact on markets | • Explain why governments  impose indirect (excise) taxes.  • Distinguish between specific  and *ad valorem* taxes.  • Draw diagrams to show  specific and *ad valorem* taxes,  and analyse their impacts on  market outcomes.  • Discuss the consequences of  imposing an indirect tax on  the stakeholders in a market,  including consumers, producers and the government. | Blink c 5 | **Example** | **U-tube** | **4** | **206**  **255** |
| **27 HL Only** |  |  | Tax incidence and price  elasticity of demand and  supply | • Explain, using diagrams, how  the incidence of indirect  taxes on consumers and firms  differs, depending on the price  elasticity of demand and on the  price elasticity of supply.  • Plot demand and supply  curves for a product from  linear functions and then  illustrate and/or calculate the  effects of the imposition of  a specific tax on the market  (on price, quantity, consumer  expenditure, producer  revenue, government revenue,  consumer surplus + producer  surplus). | Blink c 5 | **Example** | **U-tube** | **3**  **3** | **206**  **255** |
| **(2) Subsidies** | | | | | | | | | |
| **28** |  |  | **Subsidies**  Impact on markets | • Explain why governments  provide subsidies, and describe  examples of subsidies.  • Draw a diagram to show  a subsidy, and analyse the  impacts of a subsidy on  market outcomes.  • Discuss the consequences  of providing a subsidy on  the stakeholders in a market,  including consumers, producers+ government | Blink c 5 | **Example** | **U-tube** | **4** | **206** |
| **ITEM** | **sl** | **hl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | **Reading** | **Example** | **U-tube** | **W e**  **i**  **g**  **h**  **t** | **W**  **e**  **b**  **n**  **o**  **t**  **e** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **29 HL Only** |  |  | **Subsidies**  Impact on markets | • Plot demand and supply  curves for a product from  linear functions and then  illustrate and/or calculate  the effects of the provision  of a subsidy on the market  (on price, quantity, consumer  expenditure, producer  revenue, government  expenditure, consumer  surplus and producer surplus). | Blink c 5 | **Example** | **U-tube** | **3** | **206** |
|  |  |  | **(3) Price Controls** |  | Blink c 5 | **Example** | **U-tube** |  | **223** |
| **30** |  |  | Price ceilings (maximum  prices): rationale,  consequences and  examples | • Explain why governments  impose price ceilings, and  describe examples of price  ceilings, including food price  controls and rent controls.  • Draw a diagram to show a  price ceiling, and analyse the  impacts of a price ceiling on  market outcomes.  • Examine the possible  consequences of a price  ceiling, including shortages,  inefficient resource allocation,  welfare impacts, underground  parallel markets and non-price  rationing mechanisms.  • Discuss the consequences  of imposing a price ceiling  on the stakeholders in a  market, including consumers,  producers and the  government. |  | **Example** | **U-tube** | **5** | **223** |
| **31 HL Only** |  |  | **Price controls**  Price ceilings (maximum  prices): rationale,cons-equences and  examples | • Calculate possible effects  from the price ceiling diagram,  including the resulting  shortage and the change in  consumer expenditure (which  is equal to the change in firm  revenue). | Blink c 5 | **Example** | **U-tube** | **3** | **223** |
| **32** |  |  | Price floors (minimum  prices): rationale,  consequences and  examples | • Explain why governments  impose price floors, and  describe examples of price  floors, including price support  for agricultural products and  minimum wages.  • Draw a diagram of a price  floor, and analyse the impacts  of a price floor on market  outcomes.  • Examine the possible  consequences of a price  floor, including surpluses  and government measures  to dispose of the surpluses,  inefficient resource allocation  and welfare impacts.  • Discuss the consequences  of imposing a price floor  on the stakeholders in a  market, including consumers,  producers and the  government. | Blink c 5 | **Example**  **NOTE:**  There is a link here with item **146** in section 3.2  Take a look at web 410 and managed exchange rate systems.  Same diagram for both concepts | [**U-tube**](http://www.youtube.com/watch?v=B9U3mnoBz8g)  [PAJ](http://www.youtube.com/watch?v=B9U3mnoBz8g) | **5** | **223** |
| **33 HL Only** |  |  | Price floors (minimum  prices): rationale,  consequences and  examples | • Calculate possible effects  from the price floor diagram,  including the resulting  surplus, the change in  consumer expenditure, the  change in producer revenue,  and government expenditure  to purchase the surplus. | Blink c 5 | **Example** | **U-tube** | **3** | **223** |
| **TOK**  **Theory of knowledge: potential connections**  In what sense are we morally obliged to pay taxes? Is this the result of a promise that we have made ourselves? When was this promise made? (Make a distinction here between moral and legal obligations.)  To what extent is government morally obliged to provide healthcare and welfare benefits to the unemployed? | | | | | | | | | |
|  |  |  |  | **1.4 Market failure** | Blink c 12 | **Example** | **U-tube** |  |  |
| **The meaning of market failure** | | | | | | | | | |
| **34** |  |  | Market failure as a failure  to allocate resources  efficiently | • Analyse the concept of market failure as a failure of the  market to achieve allocative  efficiency, resulting in an overallocation of resources (overprovision of a good) or an  under-allocation of resources  (under-provision of a good) | Blink c 12 | **Example** | **U-tube** | **4** | **See the ‘blue box’ in web 224** |
| **Types of market failure** | | | | | | | | | |
| **35** |  |  | The meaning of externalities | • Describe the concepts of  marginal private benefits  (MPB), marginal social benefits  (MSB), marginal private costs  (MPC) and marginal social  costs (MSC).  • Describe the meaning of  externalities as the failure of  the market to achieve a social  optimum where MSB = MSC. | Blink c 12 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=S0lH4GEFy1o) | **3** | **See web**  **224** |
| **36** |  |  | Negative externalities  of production and  consumption | • Explain, using diagrams  and examples, the concepts  of negative externalities  of production and  consumption, and the welfare  loss associated with the  production or consumption of  a good or service.  • Explain that demerit  goods are goods whose  consumption creates external  costs.  • Evaluate, using diagrams,  the use of policy responses,  including market-based  policies (taxation and tradable  permits), and government  regulations, to the problem  of negative externalities of  production and consumption | Blink c 12 | **Example** | **U-tube**  [PAJ](http://www.youtube.com/watch?v=j4M-90nlReY) | **3** | **253**  **225**  **226** |
| **37** |  |  | Positive externalities  of production and  consumption | • Explain, using diagrams  and examples, the concepts  of positive externalities  of production and  consumption, and the welfare  loss associated with the  production or consumption of  a good or service.  • Explain that merit goods are  goods whose consumption  creates external benefits.  • Evaluate, using diagrams, the  use of government responses,  including subsidies,  legislation, advertising to  influence behaviour, and  direct provision of goods and  services. | Blink c 12 | **Example** | **U-tube** | **4** | **252** |
| **38** |  |  | Lack of public goods | • Using the concepts of  rivalry and excludability,  and providing examples,  distinguish between public  goods (non-rivalrous and non excludable) and private goods (rivalrous and excludable).  • Explain, with reference to the  free rider problem, how the  lack of public goods indicates  market failure.  • Discuss the implications of  the direct provision of public  goods by government. | Blink c 12 | **Example** | **U-tube** | **5** | **252** |
| **39 up dated to 39** |  |  | Common access  resources and the threat to sustainability | • Describe, using examples,  common access resources.  • Describe sustainability.  • Explain that the lack of  a pricing mechanism for  common access resources  means that these goods  may be overused/depleted/  degraded as a result of  activities of producers and  consumers who do not pay for  the resources that they use,  and that this poses a threat to  sustainability.  • Explain, using negative  externalities diagrams, that  economic activity requiring  the use of fossil fuels to satisfy  demand poses a threat to  sustainability.  • Explain that the existence of  poverty in economically less  developed countries creates  negative externalities through  over-exploitation of land for  agriculture, and that this poses  a threat to sustainability.  • Evaluate, using diagrams,  possible government  responses to threats to  sustainability, including  legislation, carbon taxes,  cap and trade schemes,  and funding for clean  technologies.  • Explain, using examples, that  government responses to  threats to sustainability are  limited by the global nature  of the problems and the lack  of ownership of common  access resources, and that  effective responses require  international cooperation. | Blink c 12 | **Example** | **U-tube** | **5**  **5** | **252** |
| **40 HL Only** |  |  | Asymmetric information | • Explain, using examples,  that market failure may  occur when one party in  an economic transaction  (either the buyer or the seller)  possesses more information  than the other party.  • Evaluate possible government  responses, including  legislation, regulation and  provision of information. | Blink c 8 | **Example** | **U-tube** | **4** |  |
| **41 HL Only** |  |  | Abuse of monopoly  power | • Explain how monopoly power  can create a welfare loss and  is therefore a type of market  failure.  • Discuss possible government  responses, including  legislation, regulation,  nationalization and trade  liberalization. | Blink c 8 | **Example** | **U-tube** | **4** |  |
| **TOK**  **Theory of knowledge: potential connections**  To what extent is the obligation to seek sustainable modes of consumption a moral one?  What knowledge issues are involved in assessing the role of technology in meeting future patterns  of consumption and decreasing  the negative externalities of consumption associated with fossil fuels?  What are the knowledge issues involved in determining what is a rational cost to pay for halting  climate change?  How could we know if economically more developed countries are morally justified in interfering in  the development of economically less developed countries on the grounds of climate change?  How can we know when climate change is sufficiently serious to warrant government interfering in  the freedom of its citizens to consume?  How can we calculate the external costs of producing and running items such as light bulbs or motor  vehicles? For example, low energy light bulbs consume less energy but they require more energy to  produce, and some brands contain materials that are harmful to the environment such as mercury.  Hybrid cars consume less energy to run but consume more energy to produce.  What are the problems in knowing whether climate change is produced by human activity? | | | | | | | | | |
|  |  |  |  | **1.5 Theory of the firm and market structures (HL only)** | Blink cc 6-11 | **Example** | **U-tube** |  |  |
| **Production and costs** | | | | | | | | | |
| **42**  **HL Only** |  |  | Production in the  short run: the law of  diminishing returns | • Distinguish between the  short run and long run in the  context of production.  • Define total product, average  product and marginal  product, and construct  diagrams to show their  relationship.  • Explain the law of diminishing  returns.  • Calculate total, average and  marginal product from a set of  data and/or diagrams. | Blink c 6 | **Example** | **U-tube** | **3** | **251** |
| **43 HL Only** |  |  | Costs of production:  economic costs | • Explain the meaning of  economic costs as the  opportunity cost of all  resources employed  by the firm (including  entrepreneurship).  • Distinguish between explicit  costs and implicit costs as the  two components of economic  costs. | Blink c 6 | **Example** | **U-tube** | **3** | **211**  **218**  **216** |
| **44 HL Only** |  |  | Costs of production in  the short run | • Explain the distinction between the short run and the long run,  with reference to fixed factors and variable factors.  • Distinguish between total costs, marginal costs and average  costs.  • Draw diagrams illustrating the relationship between marginal  costs and average costs, and explain the connection with  production in the short run. | Blink c 6 | **Example** | **U-tube** | **3** | **216** |
| **45 HL Only** |  |  | Production in the long  run: returns to scale | • Distinguish between  increasing returns to scale,  decreasing returns to scale  and constant returns to scale. | Blink c 6 | **Example** | **U-tube** | **3** | **211** |
| **46 HL Only** |  |  | Costs of production in  the long run | • Outline the relationship  between short-run average  costs and long-run average  costs.  • Explain, using a diagram, the  reason for the shape of the  long-run average total cost  curve.  • Describe factors giving rise to  economies of scale, including  specialization, efficiency,  marketing and indivisibilities.  • Describe factors giving  rise to diseconomies of  scale, including problems  of coordination and  communication. | Blink c 6 | **Example** | **U-tube** | **3** | **216** |
| **Revenues** | | | | | | | | | |
| **47 HL Only** |  |  | Total revenue, average  revenue and marginal  revenue | • Distinguish between total revenue, average revenue and  marginal revenue.  • Draw diagrams illustrating the relationship between total  revenue, average revenue and marginal revenue.  • Calculate total revenue, average revenue and marginal revenue  from a set of data and/or diagrams. | Blink c 6 | **Example** | **U-tube** | **3** | **252** |
| **ITEM** | **SL** | **HL** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | **Reading** | **Example** | **U-tube** | **W e**  **i**  **g**  **h**  **t** | **W**  **e**  **b**  **n**  **o**  **t**  **e** |
| **Profit** | | | | | | | | | |
| **48 HL Only** |  |  | Economic profit (sometimes known as  abnormal profit) and normal profit (zero economic profit at the breakeven  point | Describe economic profit (abnormal profit) as the case where  total revenue exceeds economic cost.  • Describe normal profit (zero economic profit) as the case where total revenue is equal to total economic costs or the situation in which the amount of revenue earned is just sufficient to keep the  firm in its current line of business.  • Explain that economic profit (abnormal profit) is profit over and above normal profit (zero economic profit), and that the firm earns normal profit when economic profit (abnormal profit) is zero.  • Explain why a firm will continue to operate even when it earns zero economic profit (abnormal profit).  • Explain the meaning of loss as negative economic profit arising when total revenue is less than total cost.  • Calculate different profit levels from a set of data and/or diagrams. | Blink c 6 | **Example** | **U-tube** | **3** |  |
| **Goals of firms** | | | | | | | | | |
| **49 HL Only** |  |  | Profit maximization | • Explain the goal of profit  maximization where the  difference between total  revenue and total cost is  maximized or where marginal  revenue equals marginal cost. | Blink c 6 | **Example** | **U-tube** | **2** |  |
| **50 HL Only** |  |  | Alternative goals of firms | • Describe alternative goals  of firms, including revenue  maximization, growth  maximization, satisficing and  corporate social responsibility. | Blink c 6 | **Example** | **U-tube** | **4** |  |
| **Perfect competition** | | | | | | | | | |
| **51 HL Only** |  |  | Assumptions of the  model | • Describe, using examples,  the assumed characteristics  of perfect competition: a  large number of firms; a  homogeneous product;  freedom of entry and exit;  perfect information; perfect  resource mobility. | Blink c 7 | **Example** | **U-tube** | **4** |  |
|  |
| **52 HL Only** |  |  | Revenue curves | • Explain, using a diagram,  the shape of the perfectly  competitive firm’s average  revenue and marginal revenue  curves, indicating that the  assumptions of perfect  competition imply that each  firm is a price taker.  • Explain, using a diagram, that  the perfectly competitive  firm’s average revenue and  marginal revenue curves  are derived from market  equilibrium for the industry. | Blink c 7 | **Example** | **U-tube** | **3** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **e**  **I**  **G**  **h**  **t** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **53**  **HL Only** |  |  | Profit maximization in  the short run | Explain, using diagrams, that it is possible for a perfectly competitive firm to make economic profit (abnormal profit), normal profit (zero economic profit) or negative economic profit in the short run based on the marginal cost and marginal revenue profit maximization rule. | | | Blink c 7 | | | | **Example** | | **U-tube** | | **3** |  |
| **54 HL Only** |  |  | Profit maximization in  the long run | Explain, using a diagram, why, in the long run, a perfectly competitive firm will make normal profit (zero economic profit).  • Explain, using a diagram, how a perfectly competitive market will  move from short-run equilibrium to long-run equilibrium. | | | Blink c 7 | | | | **Example** | | **U-tube** | | **3** |  |
| **55 HL Only** |  |  | Shut-down price and  break-even price | • Distinguish between the short run shut-down price and the break-even price.  • Explain, using a diagram,  when a loss-making firm  would shut down in the short run.  • Explain, using a diagram,  when a loss-making firm  would shut down and exit the market in the long run.  • Calculate the short run shutdown price and the breakeven price from a set of data | | | Blink c 7 | | | | **Example** | | **U-tube** | | **3** |  |
| **56 HL Only** |  |  | Efficiency | • Explain the meaning of the term allocative efficiency.  • Explain that the condition for allocative efficiency is  P = MC (or, with externalities, MSB = MSC).  • Explain, using a diagram,  why a perfectly competitive  market leads to allocative  efficiency in both the short  run and the long run.  • Explain the meaning of the term productive/technical  efficiency.  • Explain that the condition for productive efficiency is that production takes place at minimum average total cost.  • Explain, using a diagram, why a perfectly competitive firm will be productively efficient in the long run, though not necessarily in the short run. | | | Blink c 7 | | | | **Example** | | **U-tube** | | **3** |  |
| **Monopoly** | | | | | | | | | | | | | | | | |
| **57 HL Only** |  |  | Assumptions of the  model | • Describe, using examples,  the assumed characteristics  of a monopoly: a single  or dominant firm in the  market; no close substitutes; significant barriers to entry. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **58 HL Only** |  |  | Barriers to entry | • Describe, using examples,  barriers to entry, including  economies of scale, branding and legal barriers. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **e**  **I**  **G**  **h**  **t** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **59 HL Only** |  |  | Revenue curves | • Explain that the average  revenue curve for a  monopolist is the market  demand curve, which will be downward sloping.  • Explain, using a diagram, the relationship between demand, average revenue and marginal revenue in a monopoly.  • Explain why a monopolist  will never choose to operate on the inelastic portion of its average revenue curve. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **60 HL Only** |  |  | Profit maximization | Explain, using a diagram, the short- and long-run equilibrium  output and pricing decision of a profit maximizing (loss  minimizing) monopolist, identifying the firm’s economic profit  (abnormal profit), or losses.  • Explain the role of barriers to entry in permitting the firm to earn  economic profit (abnormal profit). | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **61**  **HL Only** |  |  | Revenue maximization | • Explain, using a diagram, the output and pricing decision of a revenue maximizing monopoly firm.  • Compare and contrast, using a diagram, the equilibrium positions of a profit maximizing monopoly firm and a revenue  maximizing monopoly firm.  • Calculate from a set of data and/or diagrams the revenue maximizing level of output. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **62 HL Only** |  |  | Natural monopoly | • With reference to economies of scale, and using examples, explain the meaning of the term “natural monopoly”.  • Draw a diagram illustrating a natural monopoly. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **63 HL Only** |  |  | Monopoly and efficiency | Explain, using diagrams, why the profit maximizing choices of a monopoly firm lead to allocative inefficiency (welfare loss) and  productive inefficiency.  • Explain why, despite inefficiencies, a monopoly may be considered desirable for a variety of reasons, including the ability to finance research and development (R&D) from economic profits, the need to innovate to maintain economic profit (abnormal profit), and the possibility of economies of scale. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **3** |  |
| **64 HL Only** |  |  | Policies to regulate  monopoly power | • Evaluate the role of legislation and regulation in reducing monopoly power. | | | Blink c 8 | | | | **Example** | | **U-tube** | | **5** |  |
| **65 HL Only** |  |  | The advantages and  disadvantages of  monopoly compared  with perfect competition | • Draw diagrams and use them to compare and contrast a monopoly market with a perfectly competitive  market, with reference to  factors including efficiency,  price and output, research  and development (R&D) and economies of scale. | | | Blink cc 6+ 8 | | | | **Example** | | **U-tube** | | **4** |  |
| **item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **e**  **I**  **G**  **h**  **t** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **Monopolistic competition** | | | | | | | | | | | | | | | | |
| **66 HL Only** |  |  | Assumptions of the  model | • Describe, using examples, the assumed characteristics of a monopolistic competition: a large number of firms; differentiated products; absence of barriers to entry  and exit. | | | Blink c 9 | | | | **Example** | | **U-tube** | | **3** |  |
| **67 HL Only** |  |  | Revenue curves | • Explain that product  differentiation leads to a small degree of monopoly power and therefore to a negatively sloping demand curve for the product. | | | Blink c 9 | | | | **Example** | | **U-tube** | | **3** |  |
| **68 HL Only** |  |  | Profit maximization in  the short run | • Explain, using a diagram,  the short-run equilibrium  output and pricing decisions  of a profit maximizing  (loss minimizing) firm in  monopolistic competition,  identifying the firm’s  economic profit (or loss). | | | Blink c 9 | | | | **Example** | | **U-tube** | | **3** |  |
| **69 HL Only** |  |  | Profit maximization in  the long run | • Explain, using diagrams,  why in the long run a firm in  monopolistic competition will make normal profit. | | | Blink c 9 | | | | **Example** | | **U-tube** | | **3** |  |
| **70 HL Only** |  |  | Non-price competition | • Distinguish between price  competition and non-price  competition.  • Describe examples of nonprice competition, including advertising, packaging, product development and  quality of service. | | | Blink c 9 | | | | **Example** | | **U-tube** | | **4** |  |
| **71 HL Only** |  |  | Monopolistic  competition and  efficiency | • Explain, using a diagram, why neither allocative efficiency nor productive efficiency are achieved by monopolistically competitive firms. | | | Blink c 9 | | | | **Example** | | **U-tube** | | **3** |  |
| **item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **e**  **I**  **G**  **h**  **t** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **72 HL Only** |  |  | Monopolistic  competition compared  with perfect competition  and monopoly | • Compare and contrast, using diagrams, monopolistic competition with perfect competition, and monopolistic competition with monopoly, with reference to factors including short run, long run, market power, allocative and productive efficiency, number of producers, economies of  scale, ease of entry and exit, size of firms and product differentiation. | | | Blink cc 6+ 9 | | | | **Example** | | **U-tube** | | **4** |  |
| **Oligopoly** | | | | | | | | | | | | | | | | |
| **73 HL Only** |  |  | Assumptions of the  model | • Describe, using examples,  the assumed characteristics  of an oligopoly: the  dominance of the industry  by a small number of  firms; the importance  of interdependence;  differentiated or  homogeneous products; high barriers to entry.  • Explain why interdependence is responsible for the dilemma  faced by oligopolistic firms— whether to compete or to collude.  • Explain how a concentration ratio may be used to identify an oligopoly. | | | Blink c 10 | | | | **Example** | | **U-tube** | | **3** |  |
| **74 HL Only** |  |  | Game theory | • Explain how game theory  (the simple prisoner’s  dilemma) can illustrate  strategic interdependence  and the options available to  oligopolies. | | | Blink c 10 | | | | **Example** | | **U-tube** | | **3** |  |
| **75 HL Only** |  |  | Open/formal collusion | • Explain the term “collusion”, give examples, and state that it is usually (in most countries) illegal.  • Explain the term “cartel”.  • Explain that the primary  goal of a cartel is to limit  competition between  member firms and to  maximize joint profits as if  the firms were collectively a  monopoly.  • Explain the incentive of cartel members to cheat.  • Analyse the conditions that make cartel structures difficult to maintain. | | | Blink c 10 | | | | **Example** | | **U-tube** | | **3** |  |
| **76 HL Only** |  |  | Tacit/informal collusion | • Describe the term “tacit  collusion”, including reference to price leadership by a dominant firm. | | | Blink c 10 | | | | **Example** | | **U-tube** | | **3** |  |
|  |  |  | Non-collusive oligopoly | • Explain that the behaviour  of firms in a non-collusive  oligopoly is strategic in order to take account of possible actions by rivals.  • Explain, using a diagram, the existence of price rigidities, with reference to the kinked demand curve.  • Explain why non-price  competition is common in  oligopolistic markets, with  reference to the risk of price  wars.  • Describe, using examples,  types of non-price  competition. | | | Blink c 10 | | | | **Example** | | **U-tube** | | **4** |  |
| **item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **h**  **t** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **Price discrimination** | | | | | | | | | | | | | | | | |
| **77 HL Only** |  |  | Necessary conditions  for the practice of price  discrimination | • Describe price discrimination  as the practice of charging  different prices to different  consumer groups for the same product, where the price difference is not justified by differences in cost.  • Explain that price  discrimination may only take place if all of the following conditions exist: the firm must possess some degree  of market power; there must be groups of consumers with differing price elasticities of demand for the product; the  firm must be able to separate groups to ensure that no resale of the product occurs.  • Draw a diagram to illustrate how a firm maximizes profit in third degree price discrimination, explaining why the higher price is set in the market with the relatively more inelastic demand. | | | Blink c 11 | | | | **Example** | | **U-tube** | | **4** |  |
| **TOK**  **Theory of knowledge: potential connections**  Is it rational to take into account costs already incurred in deciding whether a business venture  should be terminated or whether it should receive more funds?  How can we know how to determine the balance of government policy between promoting  competition in the interest of the consumer and allowing profitability in the interest of firms? | | | | | | | | | | | | | | | | |
| Section 2: Macroeconomics | | | | | | | | | | | | | | | | |
|  |  |  |  |  | | |  | | | | **Example** | | **U-tube** | |  |  |
|  |  |  |  | **2.1 The level of overall economic activity** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Economic activity** | | | | | | | | | | | | | | | | |
| **item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **78** |  |  | The circular flow of  income model | • Describe, using a diagram, the circular flow of income between households and firms in a closed economy with no government.  • Identify the four factors  of production and their  respective payments (rent,  wages, interest and profit) and explain that these constitute the income flow in the model.  • Outline that the income flow is numerically equivalent to the expenditure flow and the  value of output flow.  • Describe, using a diagram, the circular flow of income in an open economy with government and financial markets, referring to leakages/  withdrawals (savings, taxes  and import expenditure)  and injections (investment,  government expenditure and export revenue).  • Explain how the size of the circular flow will change  depending on the relative size of injections and leakages. | | |  | | | | **Example** | | **U-tube**  **Link:**  **See AAA**  **2.1 notes section B item numbers**   * **2** * **3** * **4** | | **3** | 201  202 |
| **79** |  |  | Measures of economic  activity: gross domestic  product (GDP), and gross  national product (GNP)  or gross national income  (GNI) | • Distinguish between GDP  and GNP/GNI as measures of economic activity.  • Distinguish between the  nominal value of GDP and  GNP/GNI and the real value of GDP and GNP/GNI.  • Distinguish between total  GDP and GNP/GNI and per  capita GDP and GNP/GNI.  • Examine the output approach, the income approach and the expenditure approach when  measuring national income.  • Evaluate the use of national  income statistics, including  their use for making  comparisons over time, their use for making comparisons between countries and their  use for making conclusions  about standards of living.  • Explain the meaning and  significance of “green GDP”, a measure of GDP that accounts for environmental destruction. | | |  | | | | **Example** | | **U-tube**  **Link:**  **See AAA**  **2.1 notes section B item number**  **21** | | **5** |  |
| **80 HL Only** |  |  | Measures of economic  activity: gross domestic  product (GDP), and gross  national product (GNP)  or gross national income  (GNI) | • Calculate nominal GDP from sets of national income data, using the expenditure approach.  • Calculate GNP/GNI from data  • Calculate real GDP, using a price deflator. | | |  | | | | **Example** | | **U-tube**  **Link:**  **See AAA**  **2.1 notes section B item number**  **14** | | **3** |  |
| **The business cycle** | | | | | | | | | | | | | | | | |
| **81** |  |  | Short-term fluctuations  and long-term trend | • Explain, using a business cycle diagram, that economies typically tend to go through a cyclical pattern characterized  by the phases of the business cycle.  • Explain the long-term growth trend in the business cycle  diagram as the potential  output of the economy.  • Distinguish between a  decrease in GDP and a  decrease in GDP growth. | | |  | | | | **Example** | | **U-tube**  **Link:**  **See AAA**  **2.1 notes section B item number**  **23** | | **4** |  |
| **TOK**  **Theory of knowledge: potential connections**  What is the empirical evidence for the existence of the business cycle? How do we decide whether  this evidence is sufficient? | | | | | | | | | | | | | | | | |
|  |  |  |  | **2.2 Aggregate demand and aggregate supply** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **Aggregate demand (AD)** | | | | | | | | | | | | | | | | |
| **82** |  |  | The AD curve | • Distinguish between the  microeconomic concept of  demand for a product and the macroeconomic concept of aggregate demand.  • Construct an aggregate  demand curve.  • Explain why the AD curve has a negative slope. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **83** |  |  | The components of AD | • Describe consumption,  investment, government  spending and net exports as the components of aggregate demand. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **84** |  |  | The determinants of AD  or causes of shifts in the  AD curve | • Explain how the AD curve  can be shifted by changes  in consumption due to  factors including changes  in consumer confidence,  interest rates, wealth, personal income taxes (and hence disposable income) and level  of household indebtedness.  • Explain how the AD curve  can be shifted by changes  in investment due to  factors including interest  rates, business confidence,  technology, business taxes  and the level of corporate  indebtedness.  • Explain how the AD curve  can be shifted by changes in government spending due to factors including political and economic priorities.  • Explain how the AD curve  can be shifted by changes  in net exports due to factors  including the income of  trading partners, exchange  rates and changes in the level of protectionism. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **Aggregate supply (AS)** | | | | | | | | | | | | | | | | |
| **85** |  |  | The meaning of  aggregate supply | • Describe the term aggregate supply.  • Explain, using a diagram,  why the short-run aggregate supply curve (SRAS curve) is upward sloping.  • Explain, using a diagram, how the AS curve in the short run (SRAS) can shift due to factors including changes in resource  prices, changes in business  taxes and subsidies and  supply shocks. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **86** |  |  | Alternative views of  aggregate supply | • Explain, using a diagram,  that the monetarist/new  classical model of the longrun aggregate supply curve (LRAS) is vertical at the level of potential output (full employment output) because aggregate supply in the long run is independent of the price level.  • Explain, using a diagram,  that the Keynesian model of  the aggregate supply curve  has three sections because  of “wage/price” downward  inflexibility and different  levels of spare capacity in the economy. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **87** |  |  | Shifting the aggregate  supply curve over the  long term | • Explain, using the two models above, how factors leading to changes in the quantity and/or quality of factors of production (including improvements in efficiency, new technology, reductions in unemployment, and  institutional changes) can shift the aggregate supply curve over the long term. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **Equilibrium** | | | | | | | | | | | | | | | | |
| **88** |  |  | Short-run equilibrium | • Explain, using a diagram, the determination of short-run equilibrium, using the SRAS curve.  • Examine, using diagrams, the impacts of changes in shortrun equilibrium. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **89** |  |  | Equilibrium in monetarist /new classical  model | • Explain, using a diagram, the determination of long-run equilibrium, indicating that long-run equilibrium occurs at the full employment level of  output.  • Explain why, in the  monetarist/new classical  approach, while there may  be short-term fluctuations  in output, the economy will  always return to the full  employment level of output in the long run.  • Examine, using diagrams, the impacts of changes in the long-run equilibrium. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **90** |  |  | Equilibrium in the  Keynesian model | • Explain, using the Keynesian AD/AS diagram, that the economy may be in  equilibrium at any level of real output where AD intersects AS.  • Explain, using a diagram,  that if the economy is in  equilibrium at a level of  real output below the full  employment level of output,  then there is a deflationary  (recessionary) gap.  • Discuss why, in contrast to the monetarist/new classical model, the economy can remain stuck in a deflationary (recessionary) gap in the  Keynesian model.  • Explain, using a diagram, that if AD increases in the vertical section of the AS curve, then there is an inflationary gap.  • Discuss why, in contrast to the monetarist/new classical model, increases in aggregate demand in the Keynesian AD/AS model need not be inflationary, unless the economy is operating close to, or at, the level of full employment. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **The Keynesian multiplier-see below** | | | | | | | | | | | | | | | | |
| **91**  **HL Only** |  |  | **The Keynesian multiplier** | • Explain, with reference to  the concepts of leakages  (withdrawals) and injections, the nature and importance of the Keynesian multiplier.  • Calculate the multiplier  using either of the following  formulae.  1  1*MPC*  1  *MPS + MPT + MPM*  • Use the multiplier to calculate  the effect on GDP of a change  in an injection in investment,  government spending or  exports.  • Draw a Keynesian AD/AS  diagram to show the impact  of the multiplier. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **TOK**  **Theory of knowledge: potential connections**  Business confidence is a contributing factor to the level of AD. What knowledge issues arise in  attempting to measure business confidence?  The Keynesian and Monetarist positions differ on the shape of the AS curve. What is needed to  settle this question: empirical evidence (if so, what should be measured?), strength of theoretical  argument, or factors external to economics such as political conviction? | | | | | | | | | | | | | | | | |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
|  |  |  |  | **2.3 Macroeconomic objectives** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Low unemployment** | | | | | | | | | | | | | | | | |
| **92** |  |  | The meaning of  unemployment | • Define the term  unemployment.  • Explain how the  unemployment rate is  calculated.  • Explain the difficulties in  measuring unemployment,  including the existence of  hidden unemployment,  the existence of  underemployment, and the  fact that it is an average and therefore ignores regional, ethnic, age and gender disparities. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **93**  **HL Only** |  |  |  | • Calculate the unemployment rate from a set of data. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **94** |  |  | Consequences of  unemployment | • Discuss possible economic consequences of  unemployment, including  a loss of GDP, loss of tax  revenue, increased cost of  unemployment benefits, loss of income for individuals, and greater disparities in the  distribution of income.  • Discuss possible personal  and social consequences of  unemployment, including  increased crime rates,  increased stress levels,  increased indebtedness,  homelessness and family  breakdown. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **95** |  |  | Types and causes of  unemployment | • Describe, using examples,  the meaning of frictional,  structural, seasonal and  cyclical (demand-deficient)  unemployment.  • Distinguish between  the causes of frictional,  structural, seasonal and  cyclical (demand-deficient)  unemployment.  • Explain, using a diagram, that cyclical unemployment is caused by a fall in aggregate demand.  • Explain, using a diagram, that structural unemployment is caused by changes in the demand for particular labour skills, changes in the geographical location of  industries, and labour market rigidities.  • Evaluate government policies to deal with the different types of unemployment. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **Low and stable rate of inflation** | | | | | | | | | | | | | | | | |
| **96** |  |  | The meaning of inflation,  disinflation and deflation | • Distinguish between inflation,disinflation and deflation.  • Explain that inflation and  deflation are typically  measured by calculating a  consumer price index (CPI),  which measures the change in prices of a basket of goods  and services consumed by the average household.  • Explain that different income earners may experience a  different rate of inflation when their pattern of consumption is not accurately reflected by  the CPI.  • Explain that inflation figures may not accurately reflect changes in consumption patterns and the quality of the  products purchased.  • Explain that economists  measure a core/underlying  rate of inflation to eliminate  the effect of sudden swings in the prices of food and oil, for example.  • Explain that a producer price index measuring changes in the prices of factors of production may be useful in predicting future inflation. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **97**  **HL Only** |  |  |  | • Construct a weighted price index, using a set of data provided.  • Calculate the inflation rate  from a set of data. | | |  | | | |  | | **Link:**  **See AAA**  **2.1 notes section B item number**  **16** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **98** |  |  | Consequences of  inflation | • Discuss the possible  consequences of a high  inflation rate, including  greater uncertainty,  redistributive effects, less  saving, and the damage to  export competitiveness. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **99** |  |  | Consequences of  deflation | • Discuss the possible  consequences of deflation,  including high levels of  cyclical unemployment and  bankruptcies. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **100** |  |  | Types and causes of  inflation | • Explain, using a diagram,  that demand-pull inflation  is caused by changes in the  determinants of AD, resulting in an increase in AD.  • Explain, using a diagram, that cost-push inflation is caused by an increase in the costs of factors of production, resulting in a decrease in SRAS.  • Evaluate government policies to deal with the different types of inflation. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **101**  **HL Only** |  |  | Possible relationships  between unemployment  and inflation | • Discuss, using a short-run  Phillips curve diagram, the  view that there is a possible  trade-off between the  unemployment rate and the  inflation rate in the short run.  • Explain, using a diagram, that the short-run Phillips curve may shift outwards, resulting  in stagflation (caused by  a decrease in SRAS due to  factors including supply  shocks).  • Discuss, using a diagram,  the view that there is a longrun Phillips curve that is vertical at the natural rate of unemployment and therefore there is no trade-off between the unemployment rate and the  inflation rate in the long run.  • Explain that the natural rate of unemployment is the  rate of unemployment that  exists when the economy  is producing at the full  employment level of output. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **Economic growth** | | | | | | | | | | | | | | | | |
| **102** |  |  | The meaning of  economic growth | • Define economic growth as an increase in real GDP. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **103**  **HL Only** |  |  | The meaning of  economic growth | • Calculate the rate of economic growth from a set of data. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **104** |  |  | Causes of economic  growth | • Describe, using a production  possibilities curve (PPC)  diagram, economic growth as an increase in actual output caused by factors including a reduction in unemployment  and increases in productive  efficiency, leading to a  movement of a point inside  the PPC to a point closer to  the PPC.  • Describe, using a PPC  diagram, economic growth  as an increase in production possibilities caused by factors including increases in the quantity and quality of resources, leading to outward  PPC shifts.  • Describe, using an LRAS  diagram, economic growth as an increase in potential output caused by factors including increases in the quantity and quality of resources, leading to  a rightward shift of the LRAS curve.  • Explain the importance of  investment for economic  growth, referring to  investment in physical capital, human capital and natural capital.  • Explain the importance of  improved productivity for  economic growth. | | |  | | | | **Example** | | **U-tube** | | **4** | **104** |
| **105** |  |  | Consequences of  economic growth | • Discuss the possible  consequences of economic  growth, including the possible impacts on living standards, unemployment, inflation, the distribution of income, the current account of the balance of payments, and sustainability. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Equity in the distribution of income** | | | | | | | | | | | | | | | | |
| **106** |  |  | The meaning of equity  in the distribution of  income | • Explain the difference  between equity in the  distribution of income and  equality in the distribution of  income.  • Explain that due to unequal ownership of factors of production, the market system may not result in an equitable distribution of income. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **107** |  |  | Indicators of income  equality/inequality | • Analyse data on relative  income shares of given  percentages of the  population, including deciles and quintiles.  • Draw a Lorenz curve and  explain its significance.  • Explain how the Gini  coefficient is derived and  interpreted. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **108** |  |  | Poverty | • Distinguish between absolute poverty and relative poverty.  • Explain possible causes  of poverty, including low  incomes, unemployment and lack of human capital.  • Explain possible  consequences of poverty,  including low living standards,  and lack of access to health  care and education | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **109** |  |  | The role of taxation in  promoting equity | • Distinguish between direct  and indirect taxes, providing examples of each, and explain  that direct taxes may be used as a mechanism to redistribute income.  • Distinguish between  progressive, regressive  and proportional taxation,  providing examples of each. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **110**  **HL Only** |  |  | The role of taxation in  promoting equity | • Calculate the marginal rate of tax and the average rate of tax from a set of data. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **111** |  |  | Other measures to  promote equity | • Explain that governments  undertake expenditures  to provide directly, or to  subsidize, a variety of socially desirable goods and services (including health care services,  education, and infrastructure that includes sanitation and clean water supplies), thereby  making them available to  those on low incomes.  • Explain the term transfer  payments, and provide  examples, including old age  pensions, unemployment  benefits and child allowances. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **112** |  |  | The relationship between  equity and efficiency | • Evaluate government policies to promote equity (taxation, government expenditure and transfer payments) in terms  of their potential positive or  negative effects on efficiency in the allocation of resources. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **TOK**  **Theory of knowledge: potential connections**  What criteria can be used to order macroeconomic objectives in terms of priority? Are such criteria  external to economics (that is, normative)?  Is economic growth always beneficial? What could be meant by the word “beneficial”?  Is there always a cost to economic growth?  The notion of fairness can be approached from a number of perspectives—equality of opportunity,  maximizing the income of the least well-off group, and absolute equality of income. Which of these  notions seems to be most attractive? Why? Examine what each of these perspectives suggests is a  fair distribution of income.  Equality of opportunity implies correcting for social advantage (for example, government might  devote more resources to the education of a child brought up in less prosperous circumstances than  one brought up in a comfortable home whose parents are university lecturers). How far should the  state go in making such corrections? Should all parents be forced to read to their children so that no  child should be at a disadvantage? Should the state attempt to correct for the uneven distribution  of natural abilities such as IQ (intelligence quotient) by devoting proportionally more resources to  children of less than average IQ. | | | | | | | | | | | | | | | | |
|  |  |  |  | **2.4 Fiscal policy** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **The government budget** | | | | | | | | | | | | | | | | |
| **113** |  |  | Sources of government  revenue | • Explain that the government earns revenue primarily from taxes (direct and indirect), as well as from the sale of goods  and services and the sale of state-owned (government owned)  enterprises. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **114** |  |  | Types of government  expenditures | • Explain that government  spending can be classified  into current expenditures,  capital expenditures and  transfer payments, providing examples of each. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **115** |  |  | The budget outcome | • Distinguish between a budget deficit, a budget surplus and a balanced budget.  • Explain the relationship  between budget deficits/  surpluses and the public  (government) debt. | | | Note: Blink does not appear to cover items 115-119 effectively so I will give you additional sources here. | | | | **Example** | | **U-tube** | | **3** |  |
| **The role of fiscal policy** | | | | | | | | | | | | | | | | |
| **116** |  |  | Fiscal policy and  short-term demand  management | • Explain how changes in  the level of government  expenditure and/or taxes  can influence the level of  aggregate demand in an  economy.  • Describe the mechanism  through which expansionary fiscal policy can help an economy close a deflationary (recessionary) gap.  • Construct a diagram to  show the potential effects of expansionary fiscal policy, outlining the importance of  the shape of the aggregate supply curve.  • Describe the mechanism through which contractionary fiscal policy can help an economy close an inflationary gap.  • Construct a diagram to  show the potential effects of contractionary fiscal policy, outlining the importance of the shape of the aggregate  supply curve. | |  | | | | **Example** | | | | **U-tube** | **4** |  |
| **117** |  |  | The impact of automatic  stabilizers | • Explain how factors including the progressive tax system and unemployment benefits, which are influenced by the level of economic activity and national income, automatically help stabilize short-term fluctuations. | |  | | | | **Example**  Portugal uses bond market to increase government spending:  Portugal held a sale of its 10-year bonds today for the first time since it needed a bailout in 2011.  The sale represents a milestone in its efforts to regain investor confidence and prove its contested austerity policies are paying off.  Portugal had not sold long-term debt since it needed a €78 billion rescue two years ago.  The three major international ratings agencies downgraded Portugal's credit worthiness to junk status as the debt-heavy country fell victim to the euro zone financial crisis that unnerved investors.  Growing concerns that Portugal had too much debt and too little growth made markets uneasy about lending it money.  **Source: rte.ie** | | | | **U-tube** | **3** |  |
| **118** |  |  | Fiscal policy and its  impact on potential  output | • Explain that fiscal policy can be used to promote long-term economic growth (increases in potential output) indirectly by creating an economic environment that is favourable to private investment, and  directly through government spending on physical capital goods and human capital formation, as well as provision of incentives for firms to invest. | |  | | | | **Example** | | | | **U-tube** | **4** |  |
| **119** |  |  | Evaluation of fiscal policy | • Evaluate the effectiveness  of fiscal policy through  consideration of factors  including the ability to target sectors of the economy, the direct impact on aggregate  demand, the effectiveness of  promoting economic activity in a recession, time lags, political constraints, crowding out, and the inability to deal with supply-side causes of instability. | |  | | | | **Example** | | | | **U-tube** | **5** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | **Reading** | | | | **Example** | | | | **U-tube** | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **TOK**  **Theory of knowledge: potential connections**  In one sense the imposition of taxes by government on individuals amounts to a restriction of  individual freedom. How can we know when such government interference in individual freedom  is justified? | | | | | | | | | | | | | | | | |
|  |  |  |  | **2.5 Monetary policy** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **120** |  |  | Interest rate  determination and the  role of a central bank | • Describe the role of central banks as regulators of commercial banks and  bankers to governments.  • Explain that central banks are usually made responsible for interest rates and exchange  rates in order to achieve  macroeconomic objectives.  • Explain, using a demand and supply of money diagram, how equilibrium interest rates are determined, outlining  the role of the central bank  in influencing the supply of  money. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **The role of monetary policy** | | | | | | | | | | | | | | | | |
| **121** |  |  | Monetary policy and  short-term demand  management | • Explain how changes in  interest rates can influence the level of aggregate demand in an economy.  • Describe the mechanism  through which easy  (expansionary) monetary  policy can help an economy  close a deflationary  (recessionary) gap.  • Construct a diagram to  show the potential effects  of easy (expansionary)  monetary policy, outlining the importance of the shape of the aggregate supply curve.  • Describe the mechanism  through which tight  (contractionary) monetary  policy can help an economy  close an inflationary gap.  • Construct a diagram to  show the potential effects  of tight (contractionary)  monetary policy, outlining the importance of the shape of the aggregate supply curve. | | |  | **Example** | | | | | | **U-tube** | **5** |  |
| **122** |  |  | Monetary policy and  inflation targeting | • Explain that central banks of certain countries, rather than focusing on the maintenance of both full employment and  a low rate of inflation, are  guided in their monetary  policy by the objective to  achieve an explicit or implicit inflation rate target. | | |  | **Example**  **May 2013**  The Japanese central bank said it will massively expand the country's money supply to spur inflation as it strives to get the world's third-largest economy out of its slump.  The Bank of Japan ended a two-day policy today vowing to achieve a 2% inflation target at "the earliest possible time."  To do so, the central bank has launched "a new phase of monetary easing both in terms of quantity and quality" that will double the money supply, it said in a statement.  **Source: rte.ie** | | | | | | **U-tube** | **3** |  |
| **123** |  |  | Evaluation of monetary  policy | • Evaluate the effectiveness  of monetary policy through  consideration of factors  including the independence  of the central bank, the  ability to adjust interest rates incrementally, the ability to implement changes in interest rates relatively quickly, time  lags, limited effectiveness  in increasing aggregate  demand if the economy is in deep recession and conflict among government economic objectives. | | |  | **Example** | | | | | | **U-tube** | **5** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | **Example** | | | | | | **U-tube** | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
|  |  |  |  | **2.6 Supply-side policies** | | |  | **Example** | | | | | | **U-tube** |  |  |
| **The role of supply-side policies** | | | | | | | | | | | | | | | | |
| **124** |  |  | Supply-side policies and  the economy | • Explain that supply-side  policies aim at positively  affecting the production side of an economy by improving the institutional framework and the capacity to produce (that is, by changing the quantity and/or quality of  factors of production).  • State that supply-side policies may be market-based or interventionist, and that in either case they aim to shift the LRAS curve to the right, achieving growth in potential  output. | For 2.6 it is a good idea to revise the advantages + dis adv. of the market system in section 1: see webnotes 227, 231and 232.  See also items 181-184 in section 2.6 re aid or trade or the market vs intervention in terms of development. | | | | | | | **Example** | **U-tube** | | **4** |  |
| **Interventionist supply-side policies** | | | | | | | | | | | | | | | | |
| **125** |  |  | Investment in human  capital | • Explain how investment in  education and training will  raise the levels of human  capital and have a short-term impact on aggregate demand, but more importantly will  increase LRAS. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **126** |  |  | Investment in new  technology | • Explain how policies that  encourage research and  development will have  a short-term impact on  aggregate demand, but more importantly will result in new technologies and will increase LRAS. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **127** |  |  | Investment in  infrastructure | • Explain how increased and improved infrastructure will have a short-term impact on aggregate demand, but more importantly will increase LRAS. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **128** |  |  | Industrial policies | • Explain that targeting specific industries through policies including tax cuts, tax allowances and subsidized lending promotes growth in key areas of the economy and will have a short-term impact on aggregate demand  but, more importantly, will  increase LRAS. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Market-based supply-side policies** | | | | | | | | | | | | | | | | |
| **129** |  |  | Policies to encourage  competition | • Explain how factors including deregulation, privatization, trade liberalization and antimonopoly regulation are used to encourage competition. | | | See 1.5  Items 58-68 | | | | **Example** | | **U-tube** | | **3** |  |
| **130** |  |  | Labour market reforms | • Explain how factors including reducing the power of labour unions, reducing unemployment benefits and abolishing minimum wages are used to make the labour market more flexible (more responsive to supply and demand). | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **131** |  |  | Incentive-related policies | • Explain how factors including personal income tax cuts are used to increase the incentive to work, and how cuts in business tax and capital gains tax are used to increase the  incentive to invest. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Evaluation of supply-side policies** | | | | | | | | | | | | | | | | |
| **132** |  |  | The strengths and  weaknesses of supplyside  policies | • Evaluate the effectiveness of supply-side policies through consideration of factors including time lags, the ability to create employment, the  ability to reduce inflationary  pressure, the impact on  economic growth, the impact on the government budget, the effect on equity, and the effect on the environment. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **TOK**  **Theory of knowledge: potential connections**  How can we know whether government should support pure research, which might contribute to  the sum total of human knowledge but which might never have an impact on technology? What  other knowledge issues are relevant to investment in pure research?  Investment in education and training is a common supply-side policy. What other reasons could  there be for supporting the education of the population? What knowledge issues arise in answering  the question as to whether government should shoulder this responsibility or whether it should be  left to the market? | | | | | | | | | | | | | | | | |
|  |  |  |  | Section 3: International economics | | |  | | | | **Example** | | **U-tube** | |  |  |
|  |  |  |  | **3.1 International trade** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Free trade** | | | | | | | | | | | | | | | | |
| **133** |  |  | The benefits of trade | • Explain that gains from trade include lower prices for consumers, greater choice for consumers, the ability of producers to benefit from economies of scale, the ability to acquire needed resources,  a more efficient allocation  of resources, increased  competition, and a source of foreign exchange. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **134**  **HL Only** |  |  | Absolute and  comparative advantage | • Explain the theory of absolute advantage.  • Explain, using a diagram, the gains from trade arising from a country’s absolute advantage in the production of a good.  • Explain the theory of  comparative advantage.  • Describe the sources of  comparative advantage,  including the differences  between countries in factor  endowments and the levels of technology.  • Draw a diagram to show  comparative advantage.  • Calculate opportunity costs from a set of data in order to identify comparative advantage.  • Draw a diagram to illustrate comparative advantage from  a set of data.  • Discuss the real-world relevance and limitations of the theory of comparative advantage, considering factors including the assumptions on which  it rests, and the costs and  benefits of specialization (a  full discussion must take into account arguments in favour and against free trade and protection—see below). | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **135** |  |  | The World Trade  Organization (WTO | • Describe the objectives and functions of the WTO. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
|  |  |  |  | **Restrictions on free trade: Trade protection** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **136** |  |  | Types of trade protection | • Explain, using a tariff diagram, the effects of imposing a tariff on imported goods on different stakeholders,  including domestic producers, foreign producers, consumers  and the government.  • Explain, using a diagram, the effects of setting a quota on foreign producers on different stakeholders, including domestic producers, foreign  producers, consumers and the government.  • Explain, using a diagram, the effects of giving a subsidy to domestic producers on different stakeholders, including domestic producers,  foreign producers, consumers and the government.  • Describe administrative  barriers that may be used as a means of protection.  • Evaluate the effect of different types of trade protection. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **137**  **HL Only** |  |  | Types of trade protection | • Calculate from diagrams the effects of imposing a tariff on imported goods on different stakeholders, including domestic producers, foreign  producers, consumers and the government.  • Calculate from diagrams the effects of setting a quota on foreign producers on different stakeholders, including domestic producers, foreign producers, consumers and the government.  • Calculate from diagrams the effects of giving a subsidy to domestic producers on different stakeholders, including domestic producers,  foreign producers, consumers and the government. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **138** |  |  | Arguments for and  against trade protection  (arguments against and  for free trade) | • Discuss the arguments in  favour of trade protection,  including the protection of  domestic jobs, national security, protection of infant industries, the maintenance of health, safety and environmental standards, anti-dumping and unfair competition, a means  of overcoming a balance of  payments deficit and a source of government revenue.  • Discuss the arguments against trade protection, including a misallocation of resources, the danger of retaliation and “trade wars”, the potential for corruption, increased costs of production due to lack of competition, higher prices for domestic consumers, increased  costs of imported factors of  production and reduced export competitiveness. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **TOK**  **Theory of knowledge: potential connections**  Are there moral as well as economic arguments in favour of free trade? | | | | | | | | | | | | | | | | |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
|  |  |  |  | **3.2 Exchange rates** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Freely floating exchange rates** | | | | | | | | | | | | | | | | |
| **139** |  |  | Determination of freely  floating exchange rates | • Explain that the value of an exchange rate in a floating system is determined by the  demand for, and supply of, a currency.  • Draw a diagram to show  determination of exchange  rates in a floating exchange  rate system. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **140**  **HL Only** |  |  | Determination of freely  floating exchange rates | • Calculate the value of one  currency in terms of another currency.  • Calculate the exchange rate for linear demand and supply functions.  • Plot demand and supply  curves for a currency from  linear functions and identify  the equilibrium exchange rate.  • Using exchange rates,  calculate the price of a good in different currencies. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **141** |  |  | Causes of changes in the  exchange rate | • Describe the factors that  lead to changes in currency  demand and supply, including foreign demand for a country’s exports, domestic demand for imports, relative  interest rates, relative inflation rates, investment from overseas in a country’s firms (foreign direct investment and portfolio investment) and speculation.  • Distinguish between a  depreciation of the currency  and an appreciation of the  currency.  • Draw diagrams to show  changes in the demand for,  and supply of, a currency. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **142**  **HL Only** |  |  | Causes of changes in the  exchange rate | • Calculate the changes in the value of a currency from a setof data. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **143** |  |  | The effects of exchange  rate changes | • Evaluate the possible  economic consequences of  a change in the value of a  currency, including the effects on a country’s inflation rate, employment, economic growth and current account balance. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
|  |  |  |  | **Government intervention** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **144** |  |  | Fixed exchange rates | • Describe a fixed exchange rate system involving commitment  to a single fixed rate.  • Distinguish between a  devaluation of a currency and a revaluation of a currency.  • Explain, using a diagram,  how a fixed exchange rate is maintained. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **145** |  |  | Managed exchange rates  (managed float) | • Explain how a managed  exchange rate operates, with reference to the fact that there is a periodic government intervention to influence the value of an exchange rate.  • Examine the possible  consequences of overvalued and undervalued currencies. | | | No info in Blink. Use webnotes and resources in LRC  See also PPP as this concept is relevant to PPP. See webnote 415 in Section 3 | | | | **NOTE:**  There is a link here with item **32** in section 1.3  Take a look at web 223 and buffer stock systems.  Same diagram for both concepts. See item 168. | |  | | **4** | See also Web 223. |
| **146** |  |  | Evaluation of different  exchange rate systems | • Compare and contrast a fixed exchange rate system with a floating exchange rate system, with reference to factors including the degree of certainty for stakeholders, ease of adjustment, the role of international reserves in the  form of foreign currencies and flexibility offered to policy makers. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
|  |  |  |  | **3.3 The balance of payments** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **The structure of the balance of payments** | | | | | | | | | | | | | | | | |
| **147** |  |  | The meaning of the  balance of payments | • Outline the role of the balance of payments.  • Distinguish between debit  items and credit items in the balance of payments. | | |  | | | |  | |  | |  |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **148** |  |  | The components of the  balance of payments  accounts | • Explain the four components of the current account, specifically the balance of trade in goods, the balance of trade in services, income and current transfers.  • Distinguish between a current account deficit and a current account surplus.  • Explain the two components of the capital account, specifically capital transfers and transaction in non produced, non-financial  assets.  • Explain the three main  components of the financial  account, specifically, direct  investment, portfolio  investment and reserve assets. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **149**  **HL Only** |  |  | The components of the  balance of payments  accounts | • Calculate elements of the  balance of payments from a  set of data. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **150** |  |  | The relationships  between the accounts | • Explain that the current  account balance is equal to  the sum of the capital account and financial account balances (see the appendix, “The balance of payments” at end of this document page 62).  • Examine how the current  account and the financial  account are interdependent. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Current account deficits** | | | | | | | | | | | | | | | | |
| **151** |  |  | The relationship between  the current account and  the exchange rate | • Explain why a deficit in the current account of the balance of payments may result in downward pressure on the exchange rate of the currency. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **152**  **HL Only** |  |  | Implications of a  persistent current  account deficit | • Discuss the implications  of a persistent current  account deficit, referring  to factors including foreign  ownership of domestic assets, exchange rates, interest rates, indebtedness, international  credit ratings and demand  management. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **153**  **HL Only** |  |  | Methods to correct  a persistent current  account deficit | • Explain the methods that a government can use to correct a persistent current account deficit, including expenditure switching policies, expenditure reducing policies  and supply-side policies, to  increase competitiveness.  • Evaluate the effectiveness  of the policies to correct a  persistent current account  deficit. | | |  | | | |  | |  | | **5** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **154**  **HL Only** |  |  | The Marshall-Lerner  condition and the J-curve  effect | • State the Marshall-Lerner  condition and apply it  to explain the effects of  depreciation/devaluation.  • Explain the J-curve effect,  with reference to the Marshall-  Lerner condition. | | | See webnotes 414 and 417 in Section 3 | | | | **Example** | | **U-tube** | | **3** |  |
| **Current account surpluses** | | | | | | | | | | | | | | | | |
| **155** |  |  | The relationship between  the current account and  the exchange rate | • Explain why a surplus in the current account of the balance of payments may result in upward pressure on the exchange rate of the currency. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **156**  **HL Only** |  |  | Implications of a  persistent current  account surplus | • Discuss the possible  consequences of a rising  current account surplus,  including lower domestic  consumption and investment,  as well as the appreciation  of the domestic currency  and reduced export  competitiveness. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
|  |  |  |  | **3.4 Economic integration** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Forms of economic integration** | | | | | | | | | | | | | | | | |
| **157** |  |  | Preferential trade  agreements | • Distinguish between bilateral and multilateral (WTO) trade agreements.  • Explain that preferential trade agreements give preferential access to certain products from certain countries by reducing or eliminating tariffs,  or by other agreements  relating to trade. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **158** |  |  | Trading blocs | • Distinguish between a free  trade area, a customs union  and a common market.  • Explain that economic  integration will increase  competition among producers  within the trading bloc.  • Compare and contrast the  different types of trading  blocs. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **159**  **HL Only** |  |  | Trading blocs | • Explain the concepts of trade creation and trade diversion in a customs union.  • Explain that different forms of economic integration allow member countries to gain from economies of scale. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **160** |  |  | Monetary union | • Explain that a monetary union is a common market with a common currency and a common central bank.  • Discuss the possible  advantages and  disadvantages of a monetary union for its members. | | |  | | | | **Example** | | **U-tube** | | **4** |  |
| **TOK**  **Theory of knowledge: potential connections**  What criteria can be used to assess the benefits and the costs of increased economic integration?  Might increased economic integration ever be considered undesirable? | | | | | | | | | | | | | | | | |
|  |  |  |  | **3.5 Terms of trade (HL only)** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **The meaning of the terms of trade** | | | | | | | | | | | | | | | | |
| **161**  **HL Only** |  |  | Measurement | • Explain the meaning of the terms of trade.  • Explain how the terms of trade are measured.  • Distinguish between  an improvement and a  deterioration in the terms of  trade.  • Calculate the terms of trade using the equation: Index of average export prices/index of average import prices x 100. | | |  | | **Example** | | | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | **Example** | | | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **162**  **HL Only** |  |  | Causes of changes in the terms of trade | • Explain that the terms of trade may change in the short term due to changes in demand conditions for exports and imports, changes in global  supply of key inputs (such  as oil), changes in relative  inflation rates and changes in relative exchange rates.  • Explain that the terms of  trade may change in the  long term due to changes in  world income levels, changes in productivity within the country and technological developments. | | |  | | **Example** | | | | **U-tube** | | **3** |  |
| **163**  **HL Only** |  |  | Consequences of  changes in the terms of  trade | • Explain how changes in the terms of trade in the long term may result in a global redistribution of income.  • Examine the effects of  changes in the terms of  trade on a country’s current  account, using the concepts of price elasticity of demand for exports and imports.  • Explain the impacts of  short-term fluctuations and  long-term deterioration in the terms of trade of economically less developed countries  that specialize in primary  commodities, using the  concepts of price elasticity  of demand and supply for  primary products and income elasticity of demand. | | | **Reading** | | **Example** | | | | **U-tube** | | **3** |  |
|  |  |  |  | Section 4: Development economics | | |  | | **Example** | | | | **U-tube** | |  |  |
|  |  |  |  | **4.1 Economic development** | | |  | | **Example** | | | | **U-tube** | |  |  |
| **The nature of economic growth and economic development** | | | | | | | | | | | | | | | | |
| **164** | **x** | **x** | Economic growth and  economic development | • Distinguish between  economic growth and  economic development.  • Explain the multidimensional  nature of economic  development in terms of  reducing widespread poverty, raising living standards, reducing income inequalities and increasing employment opportunities.  • Explain that the most  important sources of  economic growth in  economically less developed countries include increases in quantities of physical capital and human capital, the development and use of new technologies that are  appropriate to the conditions of the economically less  developed countries, and  institutional changes.  • Explain the relationship  between economic growth  and economic development, noting that some limited economic development is possible in the absence of economic growth, but that over the long term economic growth is usually necessary for economic development (however, it should be understood that under certain circumstances economic growth may not lead to economic development). | | | **Reading**  See Blink pp 330-334 | | **Example** | | | | **U-tube** | | **5** |  |
| **165** | **x** | **x** | Common characteristics  of economically less  developed countries | • Explain, using examples, that economically less developed countries share certain common characteristics (noting that it is dangerous to generalize as there are  many exceptions in each  case), including low levels of GDP per capita, high levels of poverty, relatively large agricultural sectors, large urban informal sectors and high birth rates.  • Explain that in some countries there may be communities caught in a poverty trap (poverty cycle) where poor communities are unable to invest in physical, human and natural capital due to  low or no savings;poverty is  therefore transmitted from  generation to generation,  and there is a need for  intervention to break out of  the cycle. | | | **Reading**  See poverty cycle in Blink p 344 or another version in webnote  517 | | **Example**  **UNICEF estimates that 25% of children in the world are mal**  **nourished** | | | | **U-tube** | | **5** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | **Example** | | | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **166** | **x** | **x** | Diversity among  economically less  developed nations | • Explain, using examples, that economically less developed countries differ enormously from each other in terms of a  variety of factors, including  resource endowments,  climate, history (colonial or  otherwise), political systems and degree of political stability. | | |  | | **Example** | | | | **U-tube** | | **5** |  |
| **167** | **x** | **x** | International  development goals | • Outline the current status of international development goals, including the Millennium Development Goals. | | |  | | **Example** | | | | **U-tube** | | **5** |  |
| **TOK**  **Theory of knowledge: potential connections**  What are the knowledge issues involved in compiling a list of development goals?  Does the term “economic development” mean different things in different cultures?  Are there two ways of thinking about economics: from the point of view of an economically more  developed country or from that of an economically less developed country? If so, what is the  difference? Are there two different sets of values in which such a distinction is grounded?  How can we decide if the distinction between economically more developed countries and  economically less developed countries is a meaningful one given that economic development itself  might not be so clearly defined? | | | | | | | | | | | | | | | | |
|  |  |  |  | **4.2 Measuring development** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Measurement methods** | | | | | | | | | | | | | | | | |
| **168** |  |  | Single indicators | • Distinguish between GDP per capita figures and GNI per capita figures.  • Compare and contrast the  GDP per capita figures and  the GNI per capita figures for economically more developed countries and economically less developed countries.  • Distinguish between GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates.  • Compare and contrast GDP per capita figures and GDP per capita figures at purchasing power parity (PPP) exchange rates for economically more  developed countries and  economically less developed countries.  • Compare and contrast  two health indicators for  economically more developed countries and economically less  developed countries.  • Compare and contrast two  education indicators for  economically more developed countries and economically less  developed countries. | | | **PPP** is covered in section 3.2 under exch. Rates. See item 145 in syllabusSee web **415.** | | | | **Example** | | **U-tube** | | **3** | See web **415** |
| **169** |  |  | Composite indicators | • Explain that composite  indicators include more  than one measure and so  are considered to be better  indicators of economic  development.  • Explain the measures  that make up the Human  Development Index (HDI).  • Compare and contrast the HDI  figures for economically more developed countries and economically less developed countries.  • Explain why a country’s GDP/  GNI per capita global ranking may be lower, or higher, than its HDI global ranking. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **TOK**  **Theory of knowledge: potential connections**  What criteria could we use to determine whether a particular method for measuring development is  effective?  What knowledge issues might be encountered in constructing a composite indicator to measure  development? | | | | | | | | | | | | | | | | |
|  |  |  |  | **4.3 The role of domestic factors** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Domestic factors and economic development** | | | | | | | | | | | | | | | | |
| **170** |  |  | Domestic factors | • With reference to a specific developing economy, and  using appropriate diagrams  where relevant, examine how the following factors contribute to economic development.  a. Education and health  b. The use of appropriate  technology  c. Access to credit and  micro-credit  d. The empowerment of  women  e. Income distribution | | |  | | | | **Example** | | **U-tube** | | **4** |  |
|  |  |  |  | **4.4 The role of international trade** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **International trade and economic development** | | | | | | | | | | | | | | | | |
| **171** |  |  | Trade problems facing  many economically less  developed countries | • With reference to specific  examples, explain how  the following factors are  barriers to development for  economically less developed countries.  a. Over-specialization  on a narrow range of  products  b. Price volatility of primary  products  c. Inability to access  international markets | | |  | | | | Take a look at section **3.1** for item C making a clear connection with trade protectionism e.g use of tariffs by DC’s see web 404 | |  | | **3** |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **172**  **HL only** |  |  | Trade problems facing  many economically less  developed countries | • With reference to specific  examples, explain how the  following factor is a barrier to development for economically less developed countries.  a. Long-term changes in  the terms of trade | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **173** |  |  | Trade strategies for  economic growth and  economic development | • With reference to specific  examples, evaluate each of  the following as a means of  achieving economic growth  and economic development.  a. Import substitution  b. Export promotion  c. Trade liberalization  d. The role of the WTO  e. Bilateral and regional  preferential trade  agreements  f. Diversification | | |  | | | | **Example** | | **U-tube** | | **3** |  |
|  |  |  |  | **4.5 The role of foreign direct investment (FDI)** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Foreign direct investment and multinational corporations (MNCs)** | | | | | | | | | | | | | | | | |
| **174** |  |  | The meaning of FDI and  MNCs | • Describe the nature of foreign direct investment (FDI) and multinational corporations (MNCs).  • Explain the reasons why MNCs expand into economically less developed countries.  • Describe the characteristics  of economically less  developed countries that  attract FDI, including low cost factor inputs, a regulatory framework that favours profit repatriation and favourable tax rules. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **175** |  |  | Advantages and  disadvantages of FDI  for economically less  developed countries | • Evaluate the impact of foreign direct investment (FDI) for economically less developed countries. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
|  |  |  |  | **4.6 The roles of foreign aid and multilateral development assistance** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **Foreign aid** | | | | | | | | | | | | | | | | |
| **176** |  |  | Classifications and types  of aid | • Explain that aid is extended to economically less developed countries either by governments of donor countries, in which case it is called official development assistance (ODA), or by nongovernmental  organizations NGOs).  • Explain that humanitarian aid consists of food aid, medical aid and emergency relief aid.  • Explain that development  aid consists of grants,  concessional long-term loans, project aid that includes support for schools and hospitals, and programme aid that includes support for  sectors such as the education sector and the financial sector.  • Explain that, for the most  part, the priority of NGOs  is to provide aid on a small  scale to achieve development objectives.  • Explain that aid might also  come in the form of tied aid.  • Explain the motivations of  economically more developed countries giving aid.  • Compare and contrast the  extent, nature and sources of ODA to two economically less developed countries. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **177** |  |  | Evaluation of foreign aid | • Evaluate the effectiveness of foreign aid in contributing to economic development.  • Compare and contrast the  roles of aid and trade in  economic development. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **Multilateral development assistance** | | | | | | | | | | | | | | | | |
| **178** |  |  | The roles of the  International Monetary  Fund (IMF) and the World  Bank | • Examine the current roles  of the IMF and the World  Bank in promoting economic development. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
|  |  |  |  | **4.7 The role of international debt** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Foreign debt** | | | | | | | | | | | | | | | | |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **179** |  |  | Foreign debt and its  consequences | • Outline the meaning of  foreign debt and explain why countries borrow from foreign creditors.  • Explain that in some cases countries have become heavily indebted, requiring rescheduling of the debt payments and/or conditional assistance from international organizations, including the IMF and the World Bank.  • Explain why the servicing  of international debt causes  balance of payments  problems and has an  opportunity cost in terms  of foregone spending on  development objectives.  • Explain that the burden of  debt has led to pressure to  cancel the debt of heavily  indebted countries. | | |  | | | | **Example** | | **U-tube** | | **3** |  |
| **TOK**  **Theory of knowledge: potential connections**  For each factor, what would you consider to be sufficient evidence that it plays a role in enhancing or  inhibiting development? | | | | | | | | | | | | | | | | |
|  |  |  |  | **4.8 The balance between markets and intervention** | | |  | | | | **Example** | | **U-tube** | |  |  |
| **Strengths and weaknesses of market-oriented policies** | | | | | | | | | | | | | | | | |
| **180** |  |  | Strengths | • Discuss the positive outcomes of market-oriented policies  (such as liberalized trade and capital flows, privatization and  deregulation), including a more efficient allocation of resources and economic growth. | | | For 4.8 it is a good idea to revise the advantages + dis adv. of the market system in section 1: see webnotes 227, 231 and 232.  See also items 125-133 in section 2.6 re Supply Side policies. | | | | **Example** | | **U-tube** | | **5** |  |
| **181** |  |  | Weaknesses | • Discuss the negative  outcomes of market-oriented strategies, including market failure, the development of a dual economy and income inequalities. | | | See also items 124 to 132 in the syllabus as this concept is useful | | | | **Example** | | **U-tube** | | **5** |  |
| **Strengths and weaknesses of interventionist policies** | | | | | | | | | | | | | | | | |
| **Item** | **hl** | **sl** | **Must Know** | **Must know very well! Here are the details of what you need to know.** | | | **Reading** | | | | **Example** | | **U-tube** | | **W**  **E**  **I**  **G**  **H**  **T** | **W**  **E**  **B**  **N**  **O**  **T**  **E** |
| **182** |  |  | Strengths | • Discuss the strengths of  interventionist policies,  including the provision of  infrastructure, investment in human capital, the provision of a stable macroeconomic  economy and the provision of a social safety net. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **183** |  |  | Weaknesses | • Discuss the limitations of  interventionist policies,  including excessive  bureaucracy, poor planning  and corruption. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
| **184** |  |  | Market with government  intervention | • Explain the importance of  good governance in the  development process.  • Discuss the view that  economic development may best be achieved through a complementary approach, involving a balance of market oriented policies and government intervention. | | |  | | | | **Example** | | **U-tube** | | **5** |  |
|  |  |  |  | **TOK**  **Theory of knowledge: potential connections**  What criteria can economists use to decide on the balance between markets and intervention?  Is development economics dependent upon external normative notions such as what constitutes a  good or fulfilled life? | | |  | | | | **Example** | | **U-tube** | |  |  |

**THE END.**

**….. Or maybe just the beginning!!!**

**Notes:**

**This note refers to syllabus item 150**

Structure of the balance of payments

While the structure of the balance of payments may vary from country to country, a working version of the structure (and components) of the balance of payments is given below and must be used by DP economics students for the purposes of the curriculum and assessment.

**Current account**

* Balance of trade in goods
* Balance of trade in services
* Income
* Current transfers  **Capital account**
* Capital transfers
* Transactions in non-produced, non-financial assets  **Financial account**
* Direct investment
* Portfolio investment
* Reserve assets **Current account = capital account + financial account + errors and omissions**

IB ASSESSMENT – OFFICIAL IB DOCUMENTATION

Note formatting is not the best but I will revise this. B

Assessment

Assessment in the Diploma Programme

General

Assessment is an integral part of teaching and learning. The most important aims of assessment in the Diploma Programme are that it should support curricular goals and encourage appropriate student learning. Both external and internal assessment are used in the Diploma Programme. IB examiners mark work produced for external assessment, while work produced for internal assessment is marked by teachers and externally moderated by the IB.

There are two types of assessment identified by the IB.

• Formative assessment informs both teaching and learning. It is concerned with providing accurate and helpful feedback to students and teachers on the kind of learning taking place and the nature of students’ strengths and weaknesses in order to help develop students’ understanding and capabilities. Formative assessment can also help to improve teaching quality, as it can provide information to monitor progress towards meeting the course aims and objectives.

• Summative assessment gives an overview of previous learning and is concerned with measuring student achievement.

The Diploma Programme primarily focuses on summative assessment designed to record student achievement at, or towards the end of, the course of study. However, many of the assessment instruments can also be used formatively during the course of teaching and learning, and teachers are encouraged to do this. A comprehensive assessment plan is viewed as being integral with teaching, learning and course organization. For further information, see the IB Programme standards and practices document.

The approach to assessment used by the IB is criterion-related, not norm-referenced. This approach to assessment judges students’ work by their performance in relation to identified levels of attainment, and not in relation to the work of other students. For further information on assessment within the Diploma Programme please refer to the publication Diploma Programme assessment: Principles and practice.

To support teachers in the planning, delivery and assessment of the Diploma Programme courses, a variety of resources can be found on the OCC or purchased from the IB store (http://store.ibo.org). Teacher support materials, subject reports, internal assessment guidance, grade descriptors, as well as resources from other teachers, can be found on the OCC. Specimen and past examination papers, as well as markschemes, can be purchased from the IB store.

Methods of assessment

The IB uses several methods to assess work produced by students.

Assessment criteria

Assessment criteria are used when the assessment task is open-ended. Each criterion concentrates on a particular skill that students are expected to demonstrate. An assessment objective describes what students should be able to do and assessment criteria describe how well they should be able to do it. Using assessment criteria allows discrimination between different answers and encourages a variety of responses.

74 Economics guide

Each criterion comprises a set of hierarchically ordered level descriptors. Each level descriptor is worth one or more marks. Each criterion is applied independently using a best-fit model. The maximum marks for each criterion may differ according to the criterion’s importance. The marks awarded for each criterion are added together to give the total mark for the piece of work.

Markbands

Markbands are a comprehensive statement of expected performance against which responses are judged. They represent a single holistic criterion divided into level descriptors. Each level descriptor corresponds to a range of marks to differentiate student performance. A best-fit approach is used to ascertain which particular mark to use from the possible range for each level descriptor.

Markschemes

This generic term is used to describe analytic markschemes that are prepared for specific examination papers. Analytic markschemes are prepared for those examination questions that expect a particular kind of response and/or a given final answer from the students. They give detailed instructions to examiners on how to break down the total mark for each question for different parts of the response. A markscheme may include the content expected in the responses to questions or may be a series of marking notes giving guidance on how to apply criteria.

Economics guide 75

Assessment in the Diploma Programme

Assessment

Assessment outline—SL

First examinations 2013

Assessment component

Weighting

External assessment (3 hours) Paper 1 (1 hour and 30 minutes)

An extended response paper (50 marks)

Assessment objectives 1, 2, 3, 4

Section A

Syllabus content: section 1—microeconomics

Students answer one question from a choice of two. (25 marks) Section B

Syllabus content: section 2—macroeconomics

Students answer one question from a choice of two. (25 marks)

Paper 2 (1 hour and 30 minutes)

A data response paper (40 marks)

Assessment objectives 1, 2, 3, 4

Section A

Syllabus content: section 3—international economics Students answer one question from a choice of two. (20 marks) Section B

Syllabus content: section 4—development economics Students answer one question from a choice of two. (20 marks)

80% 40%

40%

Internal assessment (20 teaching hours)

This component is internally assessed by the teacher and externally moderated by the IB at the end of the course.

Students produce a portfolio of three commentaries, based on different sections of the syllabus and on published extracts from the news media.

Maximum 750 words x 3 (45 marks)

20%

76 Economics guide

Assessment

Assessment outline—HL

First examinations 2013

Assessment component

Weighting

External assessment (4 hours) Paper 1 (1 hour and 30 minutes)

An extended response paper (50 marks)

Assessment objectives 1, 2, 3, 4

Section A

Syllabus content: section 1—microeconomics

Students answer one question from a choice of two. (25 marks) Section B

Syllabus content: section 2—macroeconomics

Students answer one question from a choice of two. (25 marks)

Paper 2 (1 hour and 30 minutes)

A data response paper (40 marks)

Assessment objectives 1, 2, 3, 4

Section A

Syllabus content: section 3—international economics Students answer one question from a choice of two. (20 marks) Section B

Syllabus content: section 4—development economics Students answer one question from a choice of two. (20 marks)

Paper 3 (1 hour)

HL extension paper (50 marks) Assessment objectives 1, 2 and 4

Syllabus content, including HL extension material: sections 1 to 4—microeconomics, macroeconomics, international economics, development economics

Students answer two questions from a choice of three. (25 marks per question)

80% 30%

30%

20%

Economics guide 77

Assessment outline—HL

Assessment component

Weighting

Internal assessment (20 teaching hours)

This component is internally assessed by the teacher and externally moderated by the IB at the end of the course.

Students produce a portfolio of three commentaries, based on different sections of the syllabus and on published extracts from the news media.

Maximum 750 words x 3 (45 marks)

20%

78 Economics guide

Assessment

External assessment

Two different methods are used to assess students.

• Detailed markschemes specific to each examination paper

• Markbands

For all three examination papers, there are markbands and markschemes. The markbands are related to the assessment objectives established for the economics course and the group 3 grade descriptors. The markschemes are specific to each examination paper.

Written papers

The external assessment in economics consists of two examination papers at SL and three examination papers at HL that are externally set and externally moderated. They are designed to allow students to demonstrate their competencies in relation to the economics assessment objectives and specific parts of the economics syllabus, namely the common topics and the HL extension material. All questions on the examination papers will be based on the topics in this guide.

The external components contribute 80% to the final assessment at both SL and HL.

In common with all examination papers, students at SL and HL are given five minutes of reading time before they begin answering the papers.

Command terms

Teachers must ensure that students are aware of the command terms used at each assessment objective level to understand the depth of treatment required in examination questions. There is a progression in demand from AO1 to AO3, while AO4 terms are specific to particular skills and techniques, and also to examination questions.

Questions may be from the same classification as specified in the learning outcomes, or a less demanding command term from a lower classification. For example, if the command term in the learning outcome is “explain”, which is classified as AO2, an examination question could contain the command term “explain” or another command term, such as “suggest”, which is also classified as AO2. Alternatively, the examination question could contain a command term from AO1, such as “describe”. However, a more demanding command term, such as “evaluate”, from a higher classification (AO3 in this case), cannot be used.

The command terms used in each question or part thereof indicate the depth required. Please refer in particular to the section “Command terms” in “Assessment objectives in practice”. See also the external assessment details below and “Glossary of command terms”.

Use of diagrams

Students are expected, where appropriate, to include correctly labelled and clearly drawn diagrams. Sometimes individual questions specify that the use of diagrams is essential because more detailed information is required from the students in order to show specific knowledge and understanding.

Economics guide 79

External assessment

Use of examples

Students are expected, where appropriate, to illustrate their answers with examples in order to reach the highest markbands. Examples should be used to highlight economic concepts, theories and relationships in the real world. When examples are used, students should not just state the example (as this is too limited), but should also offer some explanation of the example in relation to the question asked.

Use of economic terms

Students are expected to demonstrate the ability to define the economic terms included in the syllabus details.

Use of calculators Paper 1 and paper 2 (SL/HL)

Calculators are not permitted.

Paper 3 (HL only)

While all questions requiring a calculator can be answered fully using a four function (plus, minus, multiply, divide) calculator, graphic display calculators (GDCs) are allowed during the examination. The graphing functions on these calculators may assist students and it is therefore recommended that all students are familiar with the use of GDCs.

Teachers and schools must adhere to the regulations regarding the use of electronic calculators in examinations, and students must be made aware of these. This information can be found in the relevant section of the Handbook of procedures for the Diploma Programme.

Links to the specific details in the syllabus

Examination questions will be drawn from sections 1 to 4 of the syllabus, not from the foundations of economics or from any introductory section covered by the teacher (as outlined in “Approaches to the teaching of economics”). The questions will be drawn from the specific topic areas and will reflect the command terms used to describe the learning outcomes.

External assessment details—SL

Paper 1

Duration: 1 hour 30 minutes

Weighting: 40%

The structure of this paper is the same as HL paper 1 but the questions that require extended responses may be the same as, or different from, the HL paper 1 questions.

• Students answer two questions in total, one from section A and one from section B.

• In each section, students are required to answer one question from a choice of two.

• The questions are each subdivided into two parts, (a) and (b).

80

Economics guide

Students are expected to demonstrate the following assessment objectives.

External assessment

Assessment objective

Sections A and B: Part (a)

Sections A and B: Part (b)

AO1—knowledge and understanding





AO2—application and analysis





AO3—synthesis and evaluation



AO4—selection, use and application of a variety of appropriate skills and techniques





Section A

• The principal focus is on section 1 of the syllabus—microeconomics.

• While the principal focus of the questions is on section 1, it is likely that students will be required to draw on other sections of the syllabus.

• The command terms used in each question, or part thereof, indicate the depth required.

• Part (a) of each question requires knowledge and understanding, application and analysis and the selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 10 marks.

• Part (b) of each question requires knowledge and understanding, application and analysis, synthesis and evaluation, and the selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 15 marks.

• The section A question is worth a total of 25 marks.

Section B

• The principal focus is on section 2 of the syllabus—macroeconomics.

• While the principal focus of the questions is on section 2, it is likely that students will be required to draw on other sections of the syllabus.

• The command terms used in each question, or part thereof, indicate the depth required.

• Part (a) of each question requires knowledge and understanding, application and analysis, and the selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 10 marks.

• Part (b) of each question requires knowledge and understanding, application and analysis, synthesis and evaluation, and the selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 15 marks.

• The section B question is worth a total of 25 marks.

Responses are assessed with an analytic markscheme specific to the question paper, which indicates the required responses, any particular breakdown of marks and the markbands used to allocate marks.

Overall, the maximum for paper 1 is 50 marks.

Economics guide 81

External assessment

Paper 2

Duration: 1 hour 30 minutes

Weighting: 40%

The structure of this paper is the same as HL paper 2. However, these data response questions may be the same as, or different from, those used for the HL paper.

The text/data used may not be the same at SL and at HL.

• Students answer two questions in total, one from section A and one from section B.

• In each section, students are required to answer one question from a choice of two.

• The questions are each subdivided into four parts, (a), (b), (c) and (d). Students are expected to demonstrate the following assessment objectives.

Assessment objective

Sections A and B: Part (a)

Sections A and B: Part (b)

Sections A and B: Part (c)

Sections A and B: Part (d)

AO1—knowledge and understanding









AO2—application and analysis







AO3—synthesis and evaluation



AO4—selection, use and application

of a variety of appropriate skills and techniques





Section A

• The principal focus is on section 3 of the syllabus—international economics.

• While the principal focus of the questions is on section 3, it is likely that students will be required to draw on other sections of the syllabus.

• The command terms used in each question, or part thereof, indicate the depth required.

• Part (a) of each question requires knowledge and understanding. It is subdivided into (i) and (ii). The maximum for each of these is 2 marks, with a combined maximum of 4 marks.

• Part (b) of each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 4 marks.

• Part (c) of each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 4 marks.

• Part (d) of each question requires knowledge and understanding, application and analysis, and synthesis and evaluation. The maximum for this part is 8 marks.

• The section A question is worth a total of 20 marks.

82

Economics guide

Section B

• The principal focus is on section 4 of the syllabus—development economics.

• While the principal focus of the questions is on section 4, it is likely that students will be required to draw on other sections of the syllabus.

• The command terms used in each question, or part thereof, indicate the depth required.

• Part (a) of each question requires knowledge and understanding. It is subdivided into (i) and (ii). The maximum for each of these is 2 marks, with a combined maximum of 4 marks.

• Part (b) of each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 4 marks.

• Part (c) of each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques. The maximum for this part is 4 marks.

• Part (d) of each question requires knowledge and understanding, application and analysis, and synthesis and evaluation. The maximum for this part is 8 marks.

• The section B question is worth a total of 20 marks.

Responses are assessed with an analytic markscheme specific to the question paper, which indicates the required responses, any particular breakdown of marks and the markbands used to allocate marks.

Overall, the maximum for paper 2 is 40 marks.

External assessment details—HL

Paper 1

Duration: 1 hour 30 minutes

Weighting: 30%

The structure of this paper is the same as SL paper 1. However, the questions that require extended responses may be the same as, or different from, the SL paper 1 questions.

Please see the section “External assessment details—SL”, for further details.

Paper 2

Duration: 1 hour 30 minutes

Weighting: 30%

The structure of this paper is the same as SL paper 2. However, these data response questions may be the same as, or different from, the SL paper.

The texts/data used may not be the same as at SL.

Please see the section “External assessment details—SL”, for further details.

Paper 3

Duration: 1 hour

Weighting: 20%

• Students answer two questions in total, from a choice of three questions.

• The questions are each subdivided into a number of parts. The number of parts will vary.

Economics guide 83

External assessment

External assessment

Students are expected to demonstrate the following assessment objectives.

Assessment objective

All questions

AO1—knowledge and understanding



AO2—application and analysis



AO3—synthesis and evaluation

AO4—selection, use and application of a variety of appropriate skills and techniques



Examination questions

• The focus of the questions is on the syllabus content from sections 1 to 4, including the HL extension material and topics studied at HL only.

• The command terms used indicate the depth of response required.

• Each question requires knowledge and understanding, application and analysis, and selection, use and application of a variety of appropriate skills and techniques.

• Many question parts require the use of a calculator. Graphic display calculators (GDCs) are allowed during the examination, and students should be familiar with their use. Full details are given in the section “Use of calculators”.

• Each question is worth 25 marks.

• A question and answer booklet will be provided, and additional answer sheets may be used if necessary.

Responses are assessed with an analytic markscheme specific to the question paper, which indicates the required responses and any particular breakdown of marks. A markband approach is used to allocate the marks for questions using AO2 command terms, such as “explain”. The markband descriptors will vary depending on the content of the examination. A typical example is given below.

Level

Level descriptor

Marks 0–4

0

The work does not reach a standard described by the descriptors below.

0

1

The written response is limited.

1–2

2

The written response is clear.

3–4

Overall, the maximum for this paper is 50 marks.

84 Economics guide

External assessment

External assessment markbands—SL and HL

Paper 1 (SL/HL)

Section A and section B Part (a)

Level

Level descriptor

Marks 0–10

0

The work does not reach a standard described by the descriptors below.

0

1

There is little understanding of the specific demands of the question. Relevant economic terms are not defined.

There is very little knowledge of relevant economic theory.

There are significant errors.

1–3

2

There is some understanding of the specific demands of the question. Some relevant economic terms are defined.

There is some knowledge of relevant economic theory.

There are some errors.

4–6

3

There is understanding of the specific demands of the question. Relevant economic terms are defined.

Relevant economic theory is explained and applied.

Where appropriate, diagrams are included and applied.

Where appropriate, examples are used. There are few errors.

7–8

4

There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined.

Relevant economic theory is clearly explained and applied.

Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively.

There are no significant errors.

9–10

Economics guide 85

External assessment

Section A and section B Part (b)

Level

Level descriptor

Marks 0–15

0

The work does not reach a standard described by the descriptors below.

0

1

There is little understanding of the specific demands of the question. Relevant economic terms are not defined.

There is very little knowledge of relevant economic theory.

There are significant errors.

1–5

2

There is some understanding of the specific demands of the question. Some relevant economic terms are defined.

There is some knowledge of relevant economic theory.

There are some errors.

6–9

3

There is understanding of the specific demands of the question. Relevant economic terms are defined.

Relevant economic theory is explained and applied.

Where appropriate, diagrams are included and applied.

Where appropriate, examples are used.

There is an attempt at synthesis or evaluation. There are few errors.

10–12

4

There is clear understanding of the specific demands of the question. Relevant economic terms are clearly defined.

Relevant economic theory is clearly explained and applied.

Where appropriate, diagrams are included and applied effectively. Where appropriate, examples are used effectively.

There is evidence of appropriate synthesis or evaluation. There are no significant errors.

13–15

86 Economics guide

External assessment

Paper 2 (SL/HL)

Section A and section B Part (a): (i) and (ii)

Part (b) and part (c)

Or

Part (d)

Level

Level descriptor

Marks 0–2

0

The work does not reach a standard described by the descriptors below.

0

1

There is limited understanding or vague definition.

1

2

There is clear understanding or accurate definition.

2

Level

Level descriptor

Marks 0–4

0

The work does not reach a standard described by the descriptors below.

0

1

The written response is limited.

1–2

2

The written response is accurate.

3–4

Level

Level descriptor

Marks 0–4

0

The work does not reach a standard described by the descriptors below.

0

1

There is a correct diagram or an accurate written response.

1–2

2

There is a correct diagram and an accurate written response.

3–4

Level

Level descriptor

Marks 0–8

0

The work does not reach a standard described by the descriptors below.

0

1

Few relevant concepts are recognized. There is basic knowledge/understanding.

1–2

2

Relevant concepts are recognized and developed in reasonable depth. There is clear knowledge/understanding.

There is some attempt at application/analysis.

3–5

3

Relevant concepts are recognized and developed in reasonable depth. There is clear knowledge/understanding.

There is effective application/analysis.

There is synthesis/evaluation, supported by appropriate theory and evidence.

6–8

Economics guide 87

Assessment

Internal assessment

Purpose of internal assessment

Internal assessment is an integral part of the course and is compulsory for both SL and HL students. It enables students to demonstrate the application of their skills and knowledge, and to pursue their personal interests, without the time limitations and other constraints that are associated with written examinations. The internal assessment should, as far as possible, be woven into normal classroom teaching and not be a separate activity conducted after a course has been taught.

The internal assessment requirements at SL and at HL are the same.

Guidance and authenticity

The portfolio submitted for internal assessment must be the student’s own work. However, it is not the intention that students should decide on the appropriate articles and then be left to work on the internally assessed component without any further support from the teacher. The teacher should play an important role during both the planning stage and the period when the student is working on the internally assessed work. It is the responsibility of the teacher to ensure that students are familiar with:

• the requirements of the type of work to be internally assessed—the nature of the sources of the articles, and the formal requirements of the portfolio—and the IB’s academic honesty policy

• internal deadlines

• the nature of teacher support

• the assessment criteria; students must understand that the work submitted for assessment must address these criteria effectively.

Teachers and students must discuss the internally assessed work. Students should be encouraged to initiate discussions with the teacher to obtain advice and information, and students must not be penalized for seeking guidance. However, if a student could not have completed the work without substantial support from the teacher, this should be recorded on the appropriate form from the Handbook of procedures for the Diploma Programme.

It is the responsibility of teachers to ensure that all students understand the basic meaning and significance of concepts that relate to academic honesty, especially authenticity and intellectual property. Teachers must ensure that all student work for assessment is prepared according to the requirements and must explain clearly to students that internally assessed work must be entirely their own.

As part of the learning process, teachers can give advice to students on a first draft of the internally assessed work. This advice should be in terms of the way the work could be improved, but this first draft must not be heavily annotated or edited by the teacher. The next version handed to the teacher after the first draft must be the final one.

All work submitted to the IB for moderation or assessment must be authenticated by a teacher, and must not include any known instances of suspected or confirmed malpractice. Each student must sign the coversheet for internal assessment to confirm that the work is his or her authentic work and constitutes the

88 Economics guide

final version of the work. Once a student has officially submitted the final version of the work to a teacher (or the coordinator) for internal assessment, together with the signed coversheet, it cannot be retracted.

Authenticity may be checked by discussion with the student on the content of the work and scrutiny of one or more of the following:

• the student’s initial choice of articles

• the first draft of the written work

• the references cited

• the style of writing compared with work known to be that of the student.

The requirement for teachers and students to sign the coversheet for internal assessment applies to the work of all students, not just the sample work that will be submitted to an examiner for the purpose of moderation. If the teacher and student sign a coversheet, but there is a comment to the effect that the work may not be authentic, the student will not be eligible for a mark in that component and no grade will be awarded. For further details refer to the IB publication Academic honesty and the relevant articles in the General regulations: Diploma Programme.

The same piece of work cannot be submitted to meet the requirements of both the internal assessment and the extended essay.

Time allocation

Internal assessment is an integral part of the economics course, contributing 20% to the final assessment in the SL and the HL courses. This weighting should be reflected in the time that is allocated to teaching the knowledge, skills and understanding required to undertake the work, as well as the total time allocated to carry out the work.

It is recommended that a total of approximately 20 hours should be allocated to the portfolio at both SL and HL. This should include:

• time for the teacher to explain to students the requirements of the internal assessment

• class time for students to work on the internal assessment component

• time for consultation between the teacher and each student

• time to review and monitor progress and to check authenticity.

Requirements and recommendations

It is important for the integrity of the moderation process that the internal assessment by the teacher is based on the same evidence as that available to the moderator.

When there is more than one teacher teaching students in this component, internal standardization must take place.

Economics guide 89

Internal assessment

Internal assessment

Using assessment criteria for internal assessment

For internal assessment, a number of assessment criteria have been identified. Each assessment criterion has level descriptors describing specific levels of achievement together with an appropriate range of marks. The level descriptors concentrate on positive achievement although, for the lower levels, failure to achieve may be included in the description.

Teachers must judge the internally assessed work at SL and at HL against the criteria using the level descriptors.

• The same assessment criteria are provided for SL and HL.

• The aim is to find, for each criterion, the descriptor that conveys most accurately the level attained by the student, using the best-fit model. A best-fit approach means that compensation should be made when a piece of work matches different aspects of a criterion at different levels. The mark awarded should be one that most fairly reflects the balance of achievement against the criterion. It is not necessary for every single aspect of a level descriptor to be met for that mark to be awarded.

• When assessing a student’s work, teachers should read the level descriptors for each criterion until they reach a descriptor that most appropriately describes the level of the work being assessed. If a piece of work seems to fall between two descriptors, both descriptors should be read again and the one that more appropriately describes the student’s work should be chosen.

• Where there are two or more marks available within a level, teachers should award the upper marks if the student’s work demonstrates the qualities described to a great extent. Teachers should award the lower marks if the student’s work demonstrates the qualities described to a lesser extent.

• Only whole numbers should be recorded; partial marks, that is, fractions and decimals, are not acceptable.

• Teachers should not think in terms of a pass or fail boundary, but should concentrate on identifying the appropriate descriptor for each assessment criterion.

• The highest level descriptors do not imply faultless performance but should be achievable by a student. Teachers should not hesitate to use the extremes if they are appropriate descriptions of the work being assessed.

• A student who attains a high level of achievement in relation to one criterion will not necessarily attain high levels of achievement in relation to the other criteria. Similarly, a student who attains a low level of achievement for one criterion will not necessarily attain low achievement levels for the other criteria. Teachers should not assume that the overall assessment of the students will produce any particular distribution of marks.

• It is recommended that the assessment criteria be made available to students.

90

Economics guide

Internal assessment details—SL and HL

Portfolio

Duration: 20 hours Weighting: 20%

Rationale

Internal assessment in economics enables students to demonstrate the application of their knowledge and understanding of economic theory to real-world situations.

Requirements

Both SL and HL economics students produce a portfolio of three commentaries based on articles from

published news media. Each article must be based on a different section of the syllabus (microeconomics, macroeconomics, international economics and development economics).

Articles

The articles may be from a newspaper, a journal or the internet, but must not be from television or radio broadcasts. If a student includes a relatively lengthy article, which is very much discouraged, the student must highlight the section(s) of the article upon which the commentary is based.

The article on which the commentary is based should, where possible, be in the same language as the commentary. If an extract in another language is used, the student must provide an accurate translation of the whole article. Students must also include the original article in their portfolio.

Individual work

Students must select their own articles to discuss. It may happen that more than one student bases his or her commentary on the same article, but the article must not be given to the class by the teacher, and the production of the commentary must be each student’s individual work. A commentary must not be prepared collaboratively.

Focus

Each commentary must:

• explain the linkages between the article and economic theory taken from the section of the syllabus on which the article is based

• demonstrate economic insights into the implications of the article (that is, it should provide evidence of the student’s ability to discuss current events from the point of view of an economist).

On each commentary students must record:

• the title of the article

• the source of the article (including date of access to the site if from the internet)

• the date the article was published

• the date the commentary was written

• the word count of the commentary

• the section of the syllabus to which the article relates.

Each commentary in the portfolio is assessed individually against the internal assessment criteria. The teacher will initially assess each student’s work. Please note that internal standardization must take place when more than one teacher is assessing. A sample of the work will then be moderated by the IB.

Economics guide 91

Internal assessment

Internal assessment

Please refer to the Handbook of procedures for the Diploma Programme for details on how to present the work for moderation.

Rubric requirements

If students do not adhere to the following requirements, they can lose marks under criterion F: Rubric requirements.

1. Word limit

Students must produce a portfolio of three commentaries. Each commentary must not exceed 750 words.

The following are not included in the word count.

• Acknowledgments

• Contents page

• Diagrams

• Labels—of five words or fewer

• Headings on diagrams—of 10 words or fewer

• Tables of statistical data

• Equations, formulae and calculations

• Citations (which, if used, must be in the body of the commentary)

• References (which, if used, must be in the footnotes/endnotes)

Please note that footnotes/endnotes may be used for references only. Definitions of economic terms and quotations, if used, must be in the body of the work and are included in the word count. Please note that a citation is a shorthand method of making a reference in the body of the commentary, which is then linked to the full reference in the footnotes/endnotes.

2. Articles

Each article must be based on a different section of the syllabus.

3. Sources

Students must use a different source for each commentary.

4. Contemporary articles

Students need to look for articles relating to current events and these must be published no earlier than one year before the writing of the commentary.

5. Contents

Each portfolio must contain:

• a summary portfolio coversheet

• a commentary coversheet for each commentary

• three commentaries, accompanied in each case by the relevant article.

92

Economics guide

Note: Moderators will not read beyond 750 words for each commentary.

Internal assessment criteria—SL and HL

Overview

There are five internal assessment criteria for each commentary.

Internal assessment

Criterion A

Diagrams

3 marks

Criterion B

Terminology

2 marks

Criterion C

Application

2 marks

Criterion D

Analysis

3 marks

Criterion E

Evaluation

4 marks

Total

14 marks

There is one internal assessment criterion for the whole portfolio.

Each commentary is assessed individually for the first five assessment criteria (criteria A–E) and then criterion F is applied to the whole portfolio.

The maximum for the portfolio is 45 marks: (14 marks x 3 commentaries) + 3 marks = 42 + 3 marks. The assessment criteria are related to the assessment objectives.

• Criterion A: AO2 and AO4

• Criterion B: AO1

• Criterion C: AO2

• Criterion D: AO2

• Criterion E: AO3

• Criterion F: AO4

Portfolio (SL/HL) Criterion A: Diagrams

• This criterion assesses the extent to which the student is able to construct and use diagrams.

Criterion F

Rubric requirements

3 marks

Level

Descriptor

0

The work does not reach a standard described by the descriptors below.

1

Relevant diagram(s) are included but not explained, or the explanations are incorrect.

2

Relevant, accurate and correctly labelled diagram(s) are included, with a limited explanation.

3

Relevant, accurate and correctly labelled diagram(s) are included, with a full explanation.

Economics guide 93

Internal assessment

Criterion B: Terminology

• This criterion assesses the extent to which the student uses appropriate economic terminology.

Criterion C: Application

• This criterion assesses the extent to which the student recognizes, understands and applies economic information in the context of the article.

Criterion D: Analysis

• This criterion assesses the extent to which the student can explain and develop appropriate economic theories and/or concepts in the context of the article.

Level

Descriptor

0

The work does not reach a standard described by the descriptors below.

1

Terminology relevant to the article is included in the commentary.

2

Terminology relevant to the article is used appropriately throughout the commentary.

Level

Descriptor

0

The work does not reach a standard described by the descriptors below.

1

Relevant economic concepts and/or theories are applied to the article.

2

Relevant economic concepts and/or theories are applied to the article appropriately throughout the commentary.

Level

Descriptor

0

The work does not reach a standard described by the descriptors below.

1

There is limited economic analysis relating to the article.

2

There is appropriate economic analysis relating to the article.

3

There is effective economic analysis relating to the article.

Criterion E: Evaluation

• This criterion assesses the extent to which the student synthesizes his or her analysis in order to make judgments that are supported by reasoned arguments.

Level

Descriptor

0

The work does not reach a standard described by the descriptors below.

1

Judgments are made that are unsupported, or supported, by incorrect reasoning.

2

Judgments are made that are supported by limited reasoning.

3

Judgments are made that are supported by appropriate reasoning.

4

Judgments are made that are supported by effective and balanced reasoning.

94

Economics guide

Internal assessment

Criterion F: Rubric requirements

• This criterion assesses the extent to which the student meets the five rubric requirements for the complete portfolio.

– Each commentary does not exceed 750 words.

– Each article is based on a different section of the syllabus.

– Each article is taken from a different and appropriate source.

– Each article was published no earlier than one year before the writing of the commentary.

– The summary portfolio coversheet, three commentary coversheets and the article for each commentary are included.

Level

Descriptor

0

The work does not reach a standard described by the descriptors below.

1

Three rubric requirements are met.

2

Four rubric requirements are met.

3

All five rubric requirements are met.

Economics guide 95

Appendices

Glossary of command terms

Command terms with definitions

Students should be familiar with the following key terms and phrases used in examination questions, which are to be understood as described below. Although these terms will be used frequently in examination questions, other terms may be used to direct students to present an argument in a specific way.

The assessment objectives (AOs) listed in the table are those referred to in the economics syllabus.

Command term: Analyse

Apply

Calculate

Comment

Compare

Compare and contrast

Construct Contrast

Define Derive

Describe Determine Discuss

AO2 AO2 AO4 AO2 AO3 AO3

AO4 AO3

AO1 AO4

AO1 AO4 AO3

Definition asks students to:

Break down in order to bring out the essential elements or structure.

Use an idea, equation, principle, theory or law in relation to a given problem or issue.

Obtain a numerical answer showing the relevant stages in the working.

Give a judgment based on a given statement or result of a calculation.

Give an account of the similarities between two (or more) items or situations, referring to both (all) of them throughout.

Give an account of similarities and differences between two (or more) items or situations, referring to both (all) of them throughout.

Display information in a diagrammatic or logical form.

Give an account of the differences between two (or more) items or situations, referring to both (all) of them throughout.

Give the precise meaning of a word, phrase, concept or physical quantity.

Manipulate a mathematical relationship to give a new equation or relationship.

Give a detailed account.

Obtain the only possible answer.

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.

96

Economics guide

Distinguish Draw

Evaluate Examine

Explain Identify Justify

Label

List Measure Outline Plot

Show Show that

Sketch

Solve State

Suggest

To what extent

AO2 Make clear the differences between two or more concepts or items.

AO4 Represent by means of a labelled, accurate diagram or graph, using a pencil. A ruler (straight edge) should be used for straight lines. Diagrams should be drawn to scale. Graphs should have points correctly plotted (if appropriate) and joined in a straight line or smooth curve.

AO3 Make an appraisal by weighing up the strengths and limitations.

AO3 Consider an argument or concept in a way that uncovers the assumptions and interrelationships of the issue.

AO2 Give a detailed account including reasons or causes.

AO4 Provide an answer from a number of possibilities.

AO3 Give valid reasons or evidence to support an answer or conclusion.

AO4 Add labels to a diagram.

AO1 Give a sequence of brief answers with no explanation. AO4 Obtain a value for a quantity.

AO1 Give a brief account or summary.

AO4 Mark the position of points on a diagram.

AO4 Give the steps in a calculation or derivation.

AO4 Obtain the required result (possibly using information given) without the formality of proof. “Show that” questions do not generally require the use of a calculator.

AO4 Represent by means of a diagram or graph (labelled as appropriate). The sketch should give a general idea of the required shape or relationship, and should include relevant features.

AO4 Obtain the answer(s) using algebraic and/or numerical and/or graphical methods.

AO1 Give a specific name, value or other brief answer without explanation or calculation.

AO2 Propose a solution, hypothesis or other possible answer.

AO3 Consider the merits or otherwise of an argument or concept. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

sessment

Assessment in the Diploma Programme

1. Updated June 2011 to show links to webnotes [↑](#footnote-ref-1)
2. Updated June 2011 to show links to webnotes [↑](#footnote-ref-2)