

The IB Diploma Programme, for students aged 16 to 19, is an academically challenging and balanced programme of education that prepares students for success at university and life beyond. Students take courses in six different subject groups, maintaining both breadth and depth of study. Economics standard level is in group 3, individuals and societies. In addition, three core elements—the extended essay, theory of knowledge and creativity, action, service—are compulsory and central to the philosophy of the programme.

**About the IB:** For over 40 years the IB has built a reputation for high-quality, challenging programmes of education that develop internationally minded young people who are well prepared for the challenges of life in the 21st century and able to contribute to creating a better, more peaceful world.

The IB subject briefs illustrate key course components in the IB Diploma Programme.

- I. Course description and aims
- II. Curriculum model overview
- III. Assessment model
- IV. Sample questions

## Overview of the economics standard level course and curriculum model

### I. Course description and aims

The IB Diploma Programme standard level economics course aims to provide students with a core knowledge of economics, encourage students to think critically about economics, promote an awareness and understanding of internationalism in economics and encourage students' development as independent learners. Alongside the empirical observations of positive economics, students of the subject are asked to formulate normative questions and to recognize their own tendencies for bias.

In addition, the course is designed to:

- encourage the systematic and critical study of human experience and behaviour; physical, economic and social environments; and the economics and development of social and cultural institutions
- develop the capacity to identify, analyse critically and evaluate theories, concepts and arguments about the nature and activities of the individual and society
- enable students to collect, describe and analyse data used in studies of society, test hypotheses, and interpret complex data and source material
- promote an appreciation of the way learning is relevant to both the culture in which the student lives and the culture of other societies
- develop an awareness that human attitudes and beliefs are diverse and that the study of society requires an appreciation of such diversity
- enable the student to recognize that the content and methodologies of the subjects in group 3 are contestable and that their study requires the toleration of uncertainty.

### II. Curriculum model overview

#### Economics standard level

##### Components

*Microeconomics*  
Markets  
Elasticities  
Market failure

##### *Macroeconomics*

Measuring national income  
Introduction to development  
Macroeconomic models  
Demand-side and supply-side policies  
Unemployment and inflation  
Distribution of income

##### *International economics*

Reasons for trade  
Free trade and protectionism  
Economic integration  
World Trade Organization (WTO)  
Balance of payments  
Exchange rates  
Balance of payment problems  
Terms of trade

##### *Development economics*

Sources of economic growth and/or development  
Consequences of growth  
Barriers to economic growth and/or development  
Growth and development strategies  
Evaluation of growth and development strategies

### III. Assessment model

#### Assessment for economics standard level

The IB assesses student work as direct evidence of achievement against the stated goals of the Diploma Programme courses, which are to provide students with:

- a broad and balanced, yet academically demanding, programme of study
- the development of critical-thinking and reflective skills
- the development of research skills
- the development of independent learning skills
- the development of intercultural understanding
- a globally recognized university entrance qualification.

The assessments aim to test all students' knowledge and understanding of key concepts through various activities that demonstrate their ability to:

- understand and apply economic concepts and theories to a range of circumstances and a variety of situations
- analyse information through the use of economic concepts and theories
- evaluate concepts and theories from different economic perspectives.

## Assessment for economics standard level (continued)

Students' success in the economics standard level course is measured by combining their grades on external and internal assessment.

In external assessment components, students must be able to demonstrate an understanding of both basic facts and complex concepts related to the full economics syllabus. The internal assessment measures students' ability to produce a portfolio of four commentaries—each 650 to 750 words—based on a news media extract that links economic theory to a real-world situation. Three of the four commentaries must have as their main focus a different section of the syllabus, although commentaries may reference other sections. A fourth commentary can focus either on a single section or on two or more sections of the syllabus.

## Assessment at a glance

Type of assessment	Format of assessment	Time (hours)	Weighting of final grade (%)
<b>External</b>			<b>75</b>
<i>Paper 1</i>	Four extended-response questions based on all five sections of the syllabus	1	25
<i>Paper 2</i>	A data-response paper on all five sections of the syllabus	2	50
<b>Internal</b>			<b>25</b>
<i>Portfolio</i>	A portfolio of four commentaries		

## IV. Sample questions

The following questions appeared in previous IB Diploma Programme economics standard level examinations.\*

- (a) Explain the concept of elasticity of demand.  
(b) Evaluate the significance of elasticity of demand to businesses and government. (Paper 1)
2. Study the extract below and answer the questions that follow. (Paper 2)

Jump in unemployment drives down shares and dollars

News of a surprise sharp rise in unemployment in the United States drove the exchange rate of the US dollar and share prices down, ending a difficult and uncertain week for the US currency. For the second month in a row, official data showed that expectations of a turnaround in the US labour market had been too optimistic.

The unemployment rate rose by 0.3 percentage points to a seven-year high of 6 %. Economists had been predicting that the rate would rise by a smaller amount to 5.8 %. Analysts note that the unemployment rate was affected by an increase in numbers of previously inactive workers, who recorded themselves as unemployed as a result of more generous unemployment benefit.

The news caused the dollar to slide against all large currencies. The dollar fell by a cent to a six month low of \$0.917 against the Euro. The dollar has been under pressure this week as market participants have begun to focus on the large size of the US current account deficit and the obvious signs of sluggishness in the economic recovery. Traders have seized any opportunity to sell the currency.

The Federal Reserve would like to raise interest rates to prop up the dollar, but they are worried that this would increase the level of unemployment.

The disappointing unemployment news was followed by suggestions that the recovery in the service sector was also weakening. The regular survey issued by the Institute of Supply Management showed that overall activity in the service sector grew at a slower rate in April than it had in March. Government officials have played down the unemployment figures, saying that the economy was poised to grow. But the markets continue to have a pessimistic view of the prospects for US profit growth and the currency.

Source: © Financial Times, May 14th 2002 (adapted with permission)

Based on the previous extract:

- (a) Define the following terms indicated in bold in the text:
  - unemployment rate
  - current account deficit.
- (b) Using an appropriate diagram, explain why higher interest rates might increase unemployment.
- (c) Using an appropriate diagram, explain why more generous unemployment benefits may have caused the unemployment rate to rise.
- (d) Using information from the text and your knowledge of economics, evaluate the possible effects of fall in the value of the US dollar on the American economy.

\* the syllabus for examinations current until 2012.

Learn more about how the IB Diploma Programme prepares students for success at university by going online to [www.ibo.org/universities](http://www.ibo.org/universities) or email us at [recognition@ibo.org](mailto:recognition@ibo.org).

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