

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 higher 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.

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

### I. Course description and aims

The IB Diploma Programme economics higher level 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 widely 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 higher level

##### Components

Introduction to economics

Microeconomics

Markets

Elasticities

Theory of the firm

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 higher 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:

- applying and using scientific methods, techniques and terminology
- constructing, analysing and evaluating scientific hypotheses, research questions and predictions, scientific methods and techniques, and scientific explanations
- demonstrating both the personal skills of cooperation, perseverance and responsibility appropriate for effective scientific investigation and problem-solving and the manipulative skills necessary to carry out scientific investigations with precision and safety.

## Assessment for economics higher level (continued)

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.

Students' success in the economics higher 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>80</b>
<i>Paper 1</i>	Four extended-response questions based on all five sections of the syllabus	1	20
<i>Paper 2</i>	Six short-answer questions based on all five sections of the syllabus	1	20
<i>Paper 3</i>	A data-response paper on all five sections of the syllabus	2	40
<b>Internal</b>			<b>20</b>
<i>Portfolio</i>	A portfolio of four commentaries		

## IV. Sample Questions

1. (a) Using examples, describe various sources of funds available to developing countries through trade and aid.  
(b) Evaluate trade and aid as means of achieving economic growth and development. (Paper 1)
2. Explain why Veblen goods are an exception to the law of demand. (Paper 2)
3. Study the extract below and answer the questions that follow. (Paper 3)

Devaluation's downbeat start

"If Argentina falls one more step, there will be a disaster," said Eduardo Duhalde, its new president, urging Congress to grant him emergency powers to cope with the country's economic collapse. Congress duly granted those powers. Mr. Duhalde promptly used them to order a devaluation and launched Argentina into the unknown.

After a decade in which the Argentinean peso has been fixed to the US dollar, many of the emergency measures unveiled are designed to cushion the impact of the devaluation on ordinary Argentines. Instead of a free float, the government has set an official exchange rate of 1.4 pesos to the dollar (i.e. a 29 % devaluation) for exports, those imports judged to be essential, and most capital transactions.

In a move to make the public less upset, the prices charged by privatized telephone, water and energy companies will not change. These had been pegged to the dollar and indexed to inflation in the US. Now, they will be switched to pesos at par and the link to US prices will be scrapped. Congress has also given official powers to impose price controls, but they say that they will only use them on sensitive products, such as fuels and medicines.

In a country with a history of hyperinflation, the government is clearly scared that an uncontrolled devaluation would lead to massive price rises. In fact, though some prices have already gone up, the economy's deep recession may restrain inflation. If inflation and the exchange rate are to be restrained, Congress will have to approve a convincingly balanced budget. Last year, as the economy collapsed, the government's deep spending cuts failed to keep up with plunging tax revenues, causing a deficit of \$9 billion. Now the government will save money by not servicing most of its debt, but in order to balance the books further, deeper cuts will be required.

Source: © The Economist Newspaper Limited, London, January 12th 2002 (adapted with permission)

- (a) Define the following terms indicated in bold in the text:
  - (i) devaluation
  - (ii) inflation.
- (b) Using an appropriate diagram, explain why "an uncontrolled devaluation would lead to massive price rises."
- (c) Using an appropriate diagram, explain the likely impact of imposing price controls on "sensitive products."
- (d) Using information from the text and your knowledge of economics, evaluate the advantages and disadvantages of Argentina adopting a contractionary fiscal policy.

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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