



HOW TO REVISE FOR IB ECONOMICS

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Lanterna Economics Guide

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INTRODUCTION

IB Economics has different connotations for everybody. For some, it is the most difficult subject in their IB Diploma, and for others it's a breeze.

Interestingly, IB Economics HL is one of the courses with the highest average score (5.09) and highest percentage of students getting a 7 (12.6%)!

To us, this shows that IB Econ is far from impossible. The part where most students struggle generally isn't in the comprehension of any given theory/diagram/ concept, but in how to answer questions about those topics on the final exam! What ultimately costs you points in the exam generally isn't a lack of knowledge, but the inability to convey that knowledge in a thoughtful way. So, here's a comprehensive guide to the IB Economics exam.

THROUGH READING THIS, YOU'LL LEARN:

- ✓ What you can expect to see on each of the papers
- ✓ How to structure a good essay answer
- ✓ How to pick up the 'easy' points4. How to revise efficiently for each of the papers

If you follow our tips, along with making sure that you have a solid foundational knowledge about the economic theories at question, **there's no reason why you can't SMASH the final IB Econ exam and get a 5 or higher** (like 70% of Econ HL candidates do!).

PAPER 1: EXTENDED RESPONSE PAPER

- FACTS ABOUT PAPER 1:**
- ✓ It's worth **20%** of your overall Economics grade if you're an HL student, and **30%** if you're a SL student
 - ✓ It focuses on all four assessment objectives: introduction to economics, microeconomics, macroeconomics, and global economy
 - ✓ You're given 1 hour and 15 minutes to answer one question from a choice of three

You are given **three questions** in Paper 1 and are expected to answer one. Each question is split into two sections: **(a)** and **(b)**. Section (a) is worth **10 marks** and section (b) is worth **15 marks**.

It is likely that, out of the three question options, one will relate to microeconomics, one to macroeconomics and one to global economy. We will now look at the difference in how you are expected to answer the two different sections of a question.

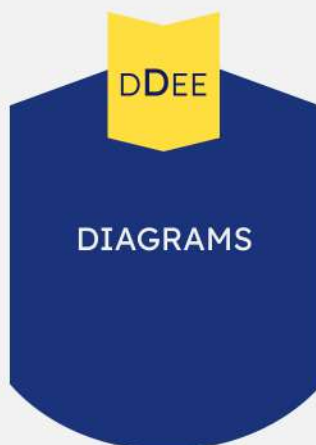
Part (a) – 10 MARKS

Your prompt might look something like:

“Explain why the government might choose to impose a subsidy on a merit good”. What do you need to include in your answer to make sure you meet the assessment criteria?



Define all key terms asked in the question (subsidy and merit good) as well as any key terms that you use in your explanation. Make sure to intertwine your definitions into your writing, rather than defining them all in your introduction. However, any key terms included in the prompt will need to be addressed at the beginning.



Nearly all Paper 1 questions require a diagram for you to get full points.

The first step is to identify the most appropriate diagram to address the information given in the prompt (a diagram showing positive externalities of consumption and the implementation of a subsidy).

Make sure the diagrams are fully labelled (every curve, both axes) and that they are neatly drawn with a ruler.

Use a pencil so that you can go back and alter or correct your diagrams if you make a mistake! After having drawn a clear and relevant diagram you must make sure to fully explain the diagram. This is where many students lose points. Leaving your diagram 'hanging', or without a full explanation, will lead you to lose significant points. Make sure to clearly explain any shifting curves, the reason behind these shifts, and the effect that this has!

Below you can see an example of an explanation of the shift caused by the subsidy.



A subsidy decreases costs of production at every point along the demand curve as firms now receive additional revenue per unit of output. This causes the supply curve to shift to the right from S_1 to S_2 . Price decreases from P_1 to P_2 and quantity increases from Q_1 to Q_2 . The potential welfare gain is now met and there is no longer welfare loss from the underconsumption of the good as more consumers buy it at this new, lower price.



You need to make sure that you fully answer the question posed by the prompt. The diagram will likely help with your explanation, but you must also describe the issues at hand in words. Ensure that your explanation is clear by using short sentences and paragraphs.



A crucial element in getting the highest marks for your response to section (a) is **including examples**. These examples do not need to be real-life examples or historical situations. Rather, they tend to be examples of goods that are relevant to the topic in question (for example healthcare could be used as an example of a good that the government might subsidise because it has positive externalities of consumption).

OUR TOP TIP is to bring in your example early in your response and use it in your explanations and diagram labelling.

If you've included the key definitions, clear diagrams, thorough explanation, and relevant examples, you're on your way to getting top points on your response! Make sure to not over-complicate your life in section (a). Many students lost points because they go on tangents or include irrelevant information as they attempt to write more. If you feel comfortable that you've given a response to the prompt while ticking off DDEE, **move on to section (b)!**

Part (B) – 15 MARKS

One of the key differences between sections (a) and (b) is that section (b) requires you to do **DDEE** as well as evaluating the policy mentioned in the prompt. So, for section (b) you need to follow **DDEEE!**

NOW, WHAT IS EVALUATION? Well, we'll make it easy for you.

For your evaluation, **JUST REMEMBER CLASPP!**

If you're struggling to find anything to write about, choose two or more concepts from the list below and you're on your way to effective evaluation.

CONCLUSION – recap the reason behind the implementation of the suggested policy and the effect it would have

LONG-TERM VS. SHORT-TERM – will the effectiveness of the policy change over time?

ASSUMPTIONS – what are the assumptions you must make to conduct your economic analysis? Are you assuming anything that isn't realistic? How does this affect the proposal?

STAKEHOLDERS – how might the different parties involved in the situation (consumers, producers, workers, government, society) be affected? Even within these groups who wins and who loses?

PRIORITIES – in the economic context, what should be the priority of policymakers?

PROS & CONS – what are the advantages of the policy or situation? What are the disadvantages?

Another main difference between part (a) and part (b) is that part (b) typically focuses on the slightly more difficult **aspects of the syllabus**. Although this might not sound ideal, it makes it easier for you to revise for it. What do we mean by this? Well, if you've ever looked at the IB Economics Syllabus, you might have noticed something called command terms. These are words like 'describe, distinguish, explain, define...', they tell you how much knowledge you need to have about the different topics.

These command terms are also used in both (a) and (b) questions. Make sure to look at how command terms are categorised, so you know how much detail to use in your exam responses!

**PART (B) TENDS TO USE A HIGHER-LEVEL (AO3)
COMMAND TERMS, SUCH AS:**

- ✓ Compare
- ✓ Compare and contrast
- ✓ Contrast
- ✓ Evaluate
- ✓ Examine
- ✓ Justify

To study for part (a) and (b) questions, go through the syllabus and make a note of which topics use which command terms. This will show you the level of detail that you need and will make it much easier to anticipate which topics are slightly more complex and therefore are likely to be asked about in part (b)!

USING EXAMPLES IN PAPER 1

Paper 1 is the paper that requires you to have your own examples at hand and ready to use in your exam responses. You will have to answer one question out of a choice of three, and the type of example you will need to use will depend on whether the question that you choose to answer is a microeconomics, macroeconomics, or global economy question.

For microeconomics questions, examples can be chosen quite randomly and even made up on the spot! If the example you are using makes sense with the economic theory that you are discussing, then it can be used. With macroeconomics and global economy questions real life examples become more important.

For example, as question about a country applying expansionary fiscal policy to escape from a recession would require you to use an example of a country that had applied such a policy recently, is currently applying such a policy or could benefit from applying such a policy.

If you don't have a real-life example for the question you are answering, it is still possible to write a high mark response, so do panic if your mind goes blank in the exam. However, it is worth having some real-life examples memorised before the exam as they will greatly strengthen your response!

We would suggest making a list of questions typically asked in section (b) as you complete your revision and finding a real-life example for each one. Having this memory bank will naturally make your response stand out from the rest! Don't underestimate the importance of a good example.

PAPER 2: DATA RESPONSE PAPER

- FACTS ABOUT PAPER 2:**
- ✓ It's worth 30% of your overall Economics grade if you're an HL student, and 40% if you're a SL student
 - ✓ It focuses on all four assessment objectives: introduction to economics, microeconomics, macroeconomics, and global economy
 - ✓ You're given 1 hour and 45 minutes to answer one question from a choice of two
 - ✓ Each question has many sub-questions and includes both quantitative and qualitative questions
 - ✓ Calculators are allowed

Paper 2 includes **two large questions**, one of which you need to answer. Each question is then broken up into **seven smaller questions**. Six out of these seven parts require relatively short answers and some diagrams. The final sub-question is much longer, it is worth 15 marks.

Part (A) – 4 MARKS

Part (a) is worth 4 marks in total and is divided into **two sections**, both worth 2 marks. These questions tend to be definitions although occasionally you may be asked to list some functions of a specific organisation (e.g., two functions of the central bank). Part (a) is only focused on assessment objective one, knowledge and understanding.

A TYPICAL QUESTION MAY LOOK LIKE THIS:

Define the term **fiscal policy** indicated in bold in the text

Crucially, we must recognise that it is not enough to give a simple answer. The two marks indicate that an expansion or example is required to garner all the points. This takes a response from vaguely correct to accurate.

AN ANSWER TO THE ABOVE EXAMPLE QUESTION that only mentions one of the following would only score one mark:

- A demand side policy
- Involves changing government spending
- Involves changing taxes

To score two marks the above ideas would need to be combined.

Part (B) – 5 MARKS

Part (b) is worth five marks in total and can either be comprised on one question or split up into two parts worth two and three marks respectively. It will most likely contain a mathematical question as well as a request for a diagram. Make sure you have made a list of all the equations of the syllabus as it can often be easier to memorize them together than individually!

If you are required to draw a diagram and the questions are split up, you will not be required to explain it. However, you will need to explain what the diagram is showing in approximately three sentences if the diagram drawing and explanation makes up the whole 5 marks and the question is not sub-divided.

Pars (c), (d), (e) and (f) – 4 MARKS EACH

Parts (c), (d), (e) and (f) are all worth four marks and will most likely require you to draw a diagram that relates to a portion of the text and explain what it is illustrating, and how it is relevant to an issue discussed in the text.

Roughly 50% of the 4 marks will be given for the diagram and the remaining 50% for the explanation. Occasionally a diagram may not be required, but in most cases it will be central to your response.

These questions should be some of the easiest from which to pick-up marks. Some students have an issue figuring out what economic idea they should be explaining, so this is a skill to practice.

We recommend working backwards from the question to explain what must have taken place to lead to the desired outcome. Using a demand and supply diagram, explain how the “imposition of the preliminary tariff” may have affected the market for new homes built in Canada.

We do not instinctively know this relationship, but if we begin with a tariff diagram we can work from there. It is then important to check the text to see who the tariff is being imposed on and then to use your economic knowledge to highlight the effect.

Part (g) – 15 MARKS

Part (g) always begins with the phrase, “Using information from the text/data and your knowledge of economics”.

The best way to answer this question is to treat it in the same way as a 15-marker from Paper 1. What does this mean? You should include definitions, diagrams, explanations, examples, and evaluative points. This question is searching for how you can relate the economics that you have covered in class and in your revision to a real-life situation. How can we understand what is going on? Is it what we expect as IB economists?

It is crucial that you make use of the text and data that is provided. Quote directly from it or signal the paragraph that you have taken information from.



A great way to start with this question is to note down all the economic theory/textbook ideas for the question and then read the given text to see whether the case study supports or undermines those statements. This comparison is crucial to score highly in part (g) questions.

For instance, a question like this...

Using information from the text/data and your knowledge of economics, discuss the arguments for and against the protection of the domestic chicken market.

...could be drafted by first thinking about general pro or anti protectionism arguments and later by comparing them to the information provided in the text and data.

Also, none of the smaller questions in Paper two require you to synthesise or evaluate, so make sure to leave enough time to answer part (g) in sufficient detail, as this can make a huge difference to your Paper 2 score!

PAPER 3: HL EXTENSION POLICY PAPER

- FACTS ABOUT PAPER 3:**
- ✓ Paper 3 is only taken by HL students
 - ✓ It is worth 30% of their final grade
 - ✓ Students have 1 hour and 45 minutes to answer two compulsory questions
 - ✓ It focuses on all four assessment objectives: introduction to economics, microeconomics, macroeconomics, and global economy.
 - ✓ Calculators are allowed

Each of the two questions is subdivided into **two sections**. Section (a) is worth 20 marks and section (b) is worth 10 marks.

Even though this is a higher level only paper, the content can come from any part of the syllabus, including those topics also learnt by standard level students.

Many of the questions in Paper 3 require the use of a calculator.

Part (A) – 20 MARKS

Part (a) of each questions has multiple short-answer sections, which when combined make up 20 marks – two thirds of the marks up for grabs in Paper 3! These short answer questions include both mathematical and written answers, again make sure you know your equations for this paper!

If you are not a mathematician, do not fear! Although many of the marks in this paper are awarded for calculations, these are not particularly difficult. As with many IB subjects, we find the best way to prepare for such questions is to practise. The skill is to work out what equation to use for each part!

Part (B) – 10 MARKS

Part (b) requires you to recommend a policy that is related to an issue included in the short-answer questions. You need to define this policy and explain why it would be an appropriate policy to deal with the issue in question.

This is very similar to the part (a) responses that you are required to write for Paper 1. You need to explain how the policy would work and include some evaluation regarding its effectiveness. However, it is different to a paper 1 part (a) response as here you are required to supplement your explanation with information from the data given to you earlier in the question. This can either be through direct quotes or clear references.

We recommend using the DDEEE structure explained earlier in the document. Although there is one main difference in using this structure in Paper 3 to using it in Paper 1. In Paper 1 you are required to use your own examples, whereas in Paper 3 you need to make all of your explanation and analysis relevant to the specific example or issue that the question has asked you to address.