Revision practice

International Baccalaureate · IB Diploma · Economics · SL

1 Economic inquiry and choices

- normative
- opportunity cost

■ Question 1

Which statement is normative?

Available marks: 2.

Worked answer

The rail project should prioritise equality over profit.

■ Question 2

Explain the mechanism or reasoning in this original case: A news report says a new rail line is efficient; a comment says it is unfair. These claims ask different questions about resource use and distribution.

Available marks: 4.

Worked answer

Building the rail line uses land and labour that could support another project. Its opportunity cost is the benefit of the best rejected project. Assess efficiency and equity separately before considering trade-offs between them.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Do not label every uncertain forecast normative. A forecast may still be testable. / Explain assumptions such as other factors remaining constant before transferring a model to a real case.

2 Demand, supply and policy

- tax incidence
- price elasticity

■ Question 1

Who bears more of this tax compared with the original price?

Available marks: 2.

Worked answer

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Consumers bear 2 per unit, while producers bear 1.

Question 2

Explain the mechanism or reasoning in this original case: A tax raises the cost of a popular drink. Sellers and buyers both bear part of the burden. The legal taxpayer is not necessarily the person bearing the economic burden.

Available marks: 4.

Worked answer

If consumers pay 12 after a tax and producers receive 9, the tax wedge is 3. Compared with an original price of 10, buyers bear 2 and sellers bear 1. Consumer payment equals producer receipt plus the tax: $12 = 9 + 3$.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Tax incidence depends on relative elasticities, not who sends the payment to government. / Evaluate effects on output, revenue, stakeholders and equity; behavioural assumptions can change responses.

3 Market failure and equity

- common-access resource
- equity

Question 1

Which description fits the shared fishing stock?

Available marks: 2.

Worked answer

Rival and difficult to exclude users from: a common-access resource.

Question 2

Explain the mechanism or reasoning in this original case: A fishing ground is open to many boats. Each boat gains from its own catch while reducing stocks for all. Access rules and resource renewal affect the result.

Available marks: 4.

Worked answer

A catch limit may protect renewal if monitoring is effective. Tradable permits can let lower-cost users adjust more. Judge each response using fish-stock evidence, enforcement, livelihoods and distribution of access.

- Accurate relevant concept (1)
- Specific evidence from the case (1)

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- Connected reasoning (2)

Common resources and public goods are not interchangeable. / An efficient policy can still place heavier burdens on low-income groups; equity needs a separate argument.

4 Macroeconomic activity, objectives and policy

- aggregate demand
- real GDP

■ Question 1

Why does spare capacity matter for a demand stimulus?

Available marks: 2.

Worked answer

It makes an increase in real output more feasible without as much price pressure.

■ Question 2

Explain the mechanism or reasoning in this original case: A stimulus supports jobs during a downturn, but its effect changes when factories are already at capacity. The same spending increase can have different output and price effects.

Available marks: 4.

Worked answer

With spare capacity, public spending can raise real output and employment. Near capacity, demand pressure is more likely to raise prices. Compare fiscal stimulus with training or infrastructure, explaining different lags and channels.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

A rise in nominal GDP does not show real growth without a price adjustment. / Avoid a list of policies without a mechanism, affected stakeholders and conditions for success.

5 Global economy and development

- comparative advantage
- sustainable development

Question 1

What additional fact is needed before judging the exporter's gain?

Available marks: 2.

Worked answer

The cost and share of imported inputs as well as demand for its exports.

Question 2

Explain the mechanism or reasoning in this original case: A currency depreciates, making exports cheaper for foreign buyers but imported fuel dearer at home. The trade balance need not improve immediately.

Available marks: 4.

Worked answer

An exporter paid 100 dollars receives 700 yuan at 7 yuan per dollar and 800 at 8. Imported dollar-priced inputs also become more expensive. The net gain depends on input exposure, demand responsiveness and existing contracts.

- Accurate relevant concept (1)
- Specific evidence from the case (1)
- Connected reasoning (2)

Exchange-rate quotations must be explicit. HL quantitative techniques and policy recommendations extend common SL analysis. / Commentary evaluation should explain the chosen concept and article facts, not retell the article.

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