CAISL
Carlucci American International School of Lisbon

GRADE 12 ADVANCED ECONOMICS LEVEL 2 - IB ECONOMICS YEAR 2 FRAMEWORK

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THEMES AND CONTENT

The Performance Indicators (shown at the end of this Framework) are developed through the study of the Themes and Content below.

International economics

- **International Trade**
  - Describe the benefits of free trade, discuss the role of the World Trade Organization (WTO), and comment on the effects of different types of trade protections such as tariffs, quotas and subsidies.
  - Explain with diagrams the theories of comparative and absolute advantage
  - TOK Connection: Are there moral as well as economic arguments in favor of free trade?
- **Exchange Rates**
  - Describe, evaluate and draw diagrams for between exchange rates, floating exchange rates system, and appreciation and depreciation of a currency.
  - TOK Connection: Discuss the moral hazard hypothesis according to which pegged exchange rates offer implicit insurance against exchange risk and thereby encourage reckless borrowing and lending.
- **The balance of payments**
  - Outline the role of the balance of payments, and explain the four components of current account, specifically the balance of trade in goods, the balance of trade in services, income and current transfers.
  - TOK Connection: What are the ethical considerations of the appreciation or depreciation of currency to create a current account surplus?
- **Economic integration**
  - Explain economic integration as the unification of economic policies between different states through the partial or full abolition of tariff and non-tariff restrictions on trade taking place among them prior to their integration.
  - Distinguish between preferential trade agreements, free trade areas, customs union, common market, monetary union, and complete economic integration.
  - TOK Connection: Might an increase in economic integration ever be considered undesirable?

Development economics

- **Economic development**
  - Distinguish between economic growth (increase in GDP) and economic development (an increase in welfare: reducing poverty, raising living standards, reducing income inequalities, and increasing employment opportunities).
  - TOK Connection: Does the term "economic development" mean different things in different cultures?
- **Measuring development**
  - Explain, compare and contrast single and composite indicators of measurement development, such as Gross Domestic Product (GDP), Gross National Income (GNI), Purchasing Power Parity (PPP), and Human Development Index (HDI).
  - TOK Connection: What knowledge issues might be encountered in constructing a composite indicator to measure development?
- **The role of domestic factors**
  - Explain domestic factors that can contribute to economic development such as Education and Health, the Use of Appropriate Technology, Access to Credit and Micro Credit, the empowerment of women, and income distribution.
  - TOK Connection: Should you assign quantitative values to qualitative factors such as the empowerment of women?
- **The role of international trade**
  - With reference to specific examples, evaluate means of achieving economic growth and economic development such as import substitution, diversification, and trade liberalization; and barriers to development for economically less developed countries such as the inability to access international markets.
  - TOK Connection: Discuss the right balance between WTO Members' pursuit of non-trade objectives and the Fear of Opening the Floodgates.
- **The role of foreign direct investment (FDI)**
  - Describe the nature of foreign direct investment (FDI) as long term investments by multinational corporations (MNCs) in foreign countries by either building new plants or expanding existing ones.
  - TOK Connection: Does general welfare of host countries always have a positive correlation to foreign private wealth?
- **The roles of foreign aid and multilateral development assistance**
  - Distinguish between Humanitarian Aid and Development aid and compare and contrast the roles of aid and trade in economic development.
  - TOK Connection: Are there moral and practical disadvantages of having NGOs take over the role of governments in developing nations?
- **The role of international debt**
  - Outline the meaning of foreign debt, explain why countries borrow from foreign creditors and the burden of debt.
  - TOK Connection: What would you consider to be sufficient evidence that international debt plays a role in enhancing or inhibiting development?
- **The balance between markets and intervention**
  - Explain that interventionist policies promote an active role by the government and manipulation of the workings of the market, and compare and contrast the strengths and weaknesses of market-oriented and interventionist policies.
  - TOK Connection: Is development economics dependent upon external normative notions such as what constitutes a good or fulfilled life?

ADVANCED STUDY/HIGHER LEVEL

Students wishing to pursue advanced study (including IBHL) will also study the following:

Microeconomics

- **Competitive markets**
  - Explain a demand function, a supply function, and plot both from a linear function.
- **Government Intervention**
  - 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, and plot demand and supply curves for a product from linear functions.
- **Theory of the firm and market structures (HL only)**
  - Describe and analyze the constraints faced by firms in the short-run and long-run, and distinguish between economies of scale and diseconomies of scale.
  - Draw graphs for total, average and marginal product curves.
  - TOK Connection: 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?

Macroeconomics

- **The level of overall economic activity**
  - Calculate nominal and real GDP and GNP/GNI from data.
- **Aggregate demand and aggregate supply**
  - Calculate the Keynesian multiplier and use the multiplier to calculate the effect on GDP of a change in an injection in investment, government spending or exports.
- **Macroeconomic objectives**
  - Calculate the unemployment rate and the inflation rate from a set of data, and explain stagflation using the Phillips curve.

International economics

- **International Trade**
  - Draw a diagram to show comparative advantage and discuss the real-world relevance and limitations of the theory of comparative advantage.
- **Exchange Rates**
  - Calculate the value of a currency in terms of another currency and calculate the value of a currency from a set of data.
- **The balance of payments**
  - State the Marshall-Lerner condition and apply it to the effect of devaluation/depreciation on the current account.
- **Economic integration**
  - Explain that different forms of economic integration allow member countries to gain from economies of scale.
- **Terms of trade**
  - Explain that terms of trade is an index that shows the value of a country´s average export prices relatively to their average import prices, and calculate it by dividing the index of average export price by the index of average import price.
  - Explain the causes of changes in terms of trade and analyze the consequences of changes to the terms of trade

Economic Development

- **The role of international trade**
    - With reference to specific examples, evaluate long-term changes in the terms of trade as a barrier to development for economically less developed countries.

TEXTBOOK

Maley, Sean, and Jason Welker. *Economics*. Pearson Education, 2011.

PERFORMANCE INDICATORS

By the end of this course students are expected to reach the following objectives:

- Demonstrate knowledge and understanding of current economic issues and data.
- Apply economic concepts and theories to real-world situations.
- Identify and interpret economic data.
- Demonstrate the extent to which economic information is used effectively in particular contexts.
- Examine economic concepts and theories.
- Use economic concepts and examples to construct and present an argument.
- Discuss and evaluate economic information and theories.
- Use correctly labelled diagrams to help explain economic concepts and theories.
- Select, interpret and analyze appropriate extracts from the news media.
- Interpret appropriate data sets.
- Use quantitative techniques to identify, explain and analyze economic relationships

ASSESSMENT

For students to receive a credit towards their High School Diploma, they must demonstrate proficiency on:

- Summative assessments set by the class teacher which may take the form of
    - in-class or out-of-class essays
    - tests and quizzes which assess both knowledge and skill acquisition
    - oral presentations
    - other types of projects connected to works studied set by the teacher
- A final exam at the end of the year unless exempt from this exam by other factors.

Students who are pursuing the IB Diploma in addition to the High School Diploma must complete:

IB Diploma Assessment – SL

- Paper 1 (40%)
    - Section A
      Syllabus content: section 1—microeconomics.
    - Section B
    - Syllabus content: section 2 – macroeconomics

- Paper 2 (40%)
    - Section A
      Syllabus content: section 3—international economics
    - Section B

Syllabus content: section 4—development economics.

- Internal Assessment (20%)
  - 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.

IB Diploma Assessment – HL

- Paper 1 (30%)
  - Section A
    Syllabus content: section 1—microeconomics.
  - Section B
  - Syllabus content: section 2 – macroeconomics

- Paper 2 (30%)
  - Section A
    Syllabus content: section 3—international economics
  - Section B
    Syllabus content: section 4—development economics.

- Paper 3 (20%)
  - Syllabus content: sections 1,2,3,4—microeconomics, macroeconomics, international economics, development economics.

- Internal Assessment (20%)
  - 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.