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PART I

THE ECONOMICS PORTFOLIO GUIDE

1. INTRODUCTION

The IB Economics commentary is arguably one of the most interesting, yet most difficult internal assessments you will complete throughout your IB program. The aim of this short textbook is to show you what it takes to write a grade 7 commentary, as well as point out any potential pitfalls and give tips that will maximise your marks. This introductory chapter will review all of the basic information you need to know before starting your commentaries. Thereafter, we will look at where to find good articles, how to use the marking criteria to maximise marks, and also I will present a section on how best to deal with graphs and diagrams.

What is the IB Economics Internal Assessment?

The IA is a vital part of the course and is compulsory for all IB Economics students. It allows students to demonstrate the application of their skills and knowledge and to pursue their personal interests, without the time limitations and other constraints associated with written examinations.

Economics IA is a portfolio of **three** commentaries, each one no more than **800** words. In turn, a commentary is a written work based on a student-chosen article from published news media. Each commentary must link real-life situation from the article with economic theory and a key concept from the IB Economics syllabus.

In other words, your commentaries are aimed to explain current events from the perspective of an economist and demonstrate economic insights into the implications of the article. Each commentary must focus on a different section of the syllabus: Unit 2: *Microeconomics*, Unit 3: *Macroeconomics*, and Unit 4: *The global economy*.

The internal assessment requirements changed significantly for examinations starting May 2022. The most significant change is that a whole criterion is now dedicated to a “key concept.” You were likely to have been introduced to IB Economics key concepts in your first year. They are:

- Scarcity
- Choice
- Efficiency
- Equity
- Economic well-being
- Sustainability
- Change
- Interdependence
- Intervention.

I will cover this criterion in detail later in the book. Still, one thing to keep in mind early on is that a different key concept **must** be used in each one of your commentaries.

The new requirements have also increased the word limit for each commentary from 750 words up to 800. The IB Economics Guide clearly states that examiners will not read past 800 words. It may seem like writing this much is difficult, but it is really not. In reality, you will find yourself cutting down the words! Keep in mind that the following are **not** included in the word count:

- Acknowledgments;
- Contents page;
- Diagrams;
- Labels—of **five** words or fewer;
- Headings on diagrams—of **10** words or fewer;
- Tables of statistical data;
- Equations, formulae and calculations;
- References (which, if used, must be in the footnotes/endnotes).
- Citations (which, if used, must be in the body of the commentary);

At the same time, definitions of economic terms and quotations are included in word count and, if used, should be in the body of the commentary. Still, you will see that these are not necessary anymore.

Both SL and HL students are expected to produce **three** commentaries based on separate articles from published news. Under such conditions, same assessment requirements are applied to the IA portfolio at each level. However, the IA weights **30%** of the SL students' final grade, while for the HL students it is **20%**. Nonetheless, both levels should treat their IAs as a safety net that might help them showcase their abilities and potentially be the determining factor in achieving the desired grade.

2. THE ARTICLE

There are several requirements when it comes to choosing the article on which a commentary will be based. Firstly, the article must be published no earlier than **one year** before the writing of the commentary. For example, if you have finished writing your microeconomics commentary (C1) in May 2023, your article must be from May 2022 or later. Secondly, the articles may be from a **newspaper, a journal, or the internet**, but must **not** be from television or radio broadcasts. Thirdly, it is encouraged for students to include articles that are **not too long**, otherwise you will need to highlight the relevant paragraphs. It is also more convenient for the article to be written in the **same language** as commentary. However, if that's not possible, it is your responsibility to provide both the original article and its translated version. Lastly, you must use **different sources** for each commentary. In other words, you cannot pick different articles from the same newspaper.

There are also recommendations on what article to choose for each section of the syllabus. When it comes to the Microeconomics commentary, look for **market failure** articles. With Macroeconomics, the article should clearly focus on a demand-side/supply-side policy and **one** macroeconomic objective. As per Global, focus on a **tariff/quota/subsidy** related to trade, either imposition or the removal of it. Though there are no official topic suggestions from the IBO, it is commentaries on these topics that generally get the highest scores. This is probably because they allow above-average analysis, complex chains of reasoning, and many evaluation options.

Finding a good article is very important, as your further work will be fully based on it. You are likely to take hours to find the right one, though it's better to do that than quickly find a not-so-good article and only later realise that it's not suited for analysis. It can be a headache, but with some patience you will be able to find one that suits you perfectly.

Where to look?

The following sources might have appropriate articles:

- BBC News Online;
- CNN Online;
- Irish Times;
- The Sun;
- Daily Mail;
- The Star;
- Reuters;
- Times of India.

Generally, the article must not be analytical, or your IA will come out as its' summary. Instead, look for a **simple** article that describes an event with **specific numerical data** and considers different **stakeholders**. It is therefore best not to pick economics- or business-oriented magazines (such as *The Economist* or *Financial Times*). Such sources usually do the economic analysis for you, and there is much less scope for evaluation because all of their articles are very well-written and make points that are more difficult to argue against. On the contrary, national newspapers' articles allow you to extract the economic theory and principles from a story. It's also a good idea to note down any potential articles as you proceed throughout the school year. I'm sure that many of you check the daily news or read articles in magazines and newspapers to keep up with current events. Make sure to bookmark any article that you think you could potentially use in a future commentary. In addition, your article should be **forward-looking**. That is, it should look at a policy that is being proposed or has just started being implemented. This is so because articles focusing on consequences of an economic event tend to be analyse and evaluate it by themselves and therefore will deprive you of the opportunity to show your skill.

Guidance

While you should be able to judge for yourself if an article is appropriate, a more effective strategy is finding 3-4 articles and then consulting your Economics teacher with selecting the right one. I'm hopeful that most teachers will be able to give you the green light if you ask for

their approval. Understandably, this will vary school to school as teachers are not explicitly obliged to provide approval. However, I'm sure if you ask kindly enough and go see them after class hours they should be able to help.

Analysing the Article

You need to get in a habit of reading economic articles much like you would do in your Paper 1 exams. This means reading them very carefully and noting key words and statements. Once you have picked an article, you will need to analyse it. While your commentary should not include many quotations (otherwise the examiner may view it as an article's summary, rather than your own intellectual work), I suggest you highlight all numerical data in the article that you might potentially apply. In addition, look for links to a key concept. Keep in mind that superficial and far-fetched application of the key concept may lose you up to three marks for Criterion D.

The key to writing a great commentary is finding that perfect balance between introduction, body, evaluation, diagrams and analysis, and concluding remarks. Since 800 words is not much, make every word count and don't waste sentences on things that are just not worth it.

3. STRUCTURE AND FORMAT

Many students feel lost when it comes to starting the commentary. Here is a simple approach to get you going. First, you need to decide on the key concept that fits the article. Keep in mind that you are not allowed to use the same concept in several commentaries. Thereafter, consider the diagram(s) that will reflect the events of the article and sketch them before the writing process. Not only will this step help you to avoid waffling, but it may also draw your attention to the aspects of the article that you have not noticed before. Generally, your commentary will be dealing with the analysis and the diagrams, evaluation, and application of the key concept. You will need to explain **why and how** the events of the article are linked to the theory covered in the syllabus, diagram(s), and the key concept. Avoid the 'scatter gun' approach, where you write about everything you think might be related, and hope to eventually hit the nail on the head. You should choose a few issues which are at the heart of the article and go for a precise and concentrated approach. To do so, plan a rough outline before you dive into structuring your commentary. A good outline should identify:

- the key concept;
- which section of the syllabus the commentary will apply to;
- key terms (commonly highlighted in bold in textbooks for each topic);
- the diagrams;
- core areas of the article to analyse;
- evaluation options;
- the final judgement.

While there is no one way to open the commentary, defining key terms will be a waste of words —definitions are no longer required and do not bring marks. A more effective strategy would be to summarise your analysis in a line or two. There is no need to recap the article, as the examiner has just read it. In the last sentence of the first paragraph, introduce the link between your key concept and the article. The introduction needs to be short and to the point, 5 lines at most.

1. PORTFOLIO ONE

Author: Alexandra Laputina
Moderated Mark: 45/45
Level: Economics HL

Title of the article: Republic of Ireland to push ahead with alcohol minimum pricing

Source of the article: <https://www.bbc.com/news/world-europe-56977667>

Date published: 4 May 2021

Date written: 28 November 2021

Key concept: intervention — linked concepts **highlighted**

Unit: 2 - Microeconomics

Word count: 800

Republic of Ireland to push ahead with alcohol minimum pricing

bbc.com/news/world-europe-56977667

By Shane Harrison

BBC News Dublin Correspondent

Published

🕒 4 May

The Republic of Ireland's cabinet is expected to push ahead with alcohol minimum unit pricing, despite opposition from retailers.

Retailers fear unless similar measures are introduced in Northern Ireland there will be a surge in cross-border shoppers seeking "cheaper booze".

Health Minister Stephen Donnelly believes minimum pricing for alcohol is a necessary public health measure.

The issue will be discussed when the cabinet meets on Tuesday.

Statistics from the country's Revenue Commissioners indicate that alcohol consumption levels in 2020 were 10.07 litres of pure alcohol per person, only slightly down - 6.6% - on the previous year despite the closure of many pubs and restaurants for large parts of 2020.

Alcohol consumption has remained at about 11 litres per person since 2015.

That is the equivalent of 116 bottles of wine or 445 pints of beer per adult every year.



Getty Images

Scotland introduced minimum unit pricing in 2018 and has seen alcohol consumption levels fall

The proposed measures would see a can of lager costing at least €1.32 (£1.14) and a bottle of chardonnay €7.75 (£6.70) based on 10 cents per gram of alcohol.

The representative body Drink Ireland said it was in favour of tackling excessive alcohol consumption to reduce its misuse, but any measure must be introduced on both sides of the border simultaneously.

Its director Patricia Callan said that unilaterally introducing minimum unit pricing in the Republic of Ireland would "massive pressures on border businesses, and lead toto an increase in illicit alcohol smuggling at the border, all at a vulnerable time for our economy".

But ministers are expected to ignore that advice, citing the Scottish example.

Scotland introduced minimum unit pricing in 2018 and the following year alcohol consumption fell to its lowest level in more than two decades.

being.

To address concerns in the economy, the President is proposing an interventionist supply-side policy to boost the long-run aggregate supply curve (see figure below).

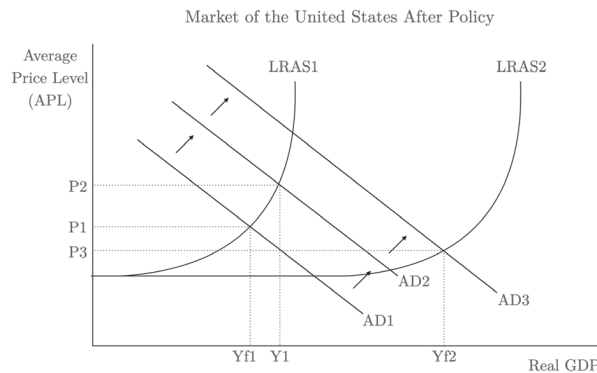


Figure 2: Aggregate Market of the United States: After Policy

The policy corresponds to a shift of the LRAS curve to the right in Figure 2 as the maximum level of sustainable output increases. This is because inflation decreases and real GDP per capita rises—better **well-being** for the average individual. The price level drops from P2 to P3 in the figure, while output increases from Y1 to Yf2. As there is a significant increase in government spending to fund the supply-side policy, the aggregate demand increases to AD3. This explains why Yf2 is larger than the intersection of AD2 and LRAS2. The price levels remain lower than P1, though, as LRAS2 increases spare capacity. Implicitly, this increase in real GDP catalyzes the accelerator effect in firms. With promises of “boosting American manufacturing,” all-time high business confidence would encourage firms to invest more. As investment is a determinant of aggregate demand, the supply-side policy also boosts demand. This, along with increasing economic growth, could help offset the uncertainty surrounding “infrastructure in sore need of repair” in the United States, which could also be inhibiting investment, productivity and **well-being**.

The effectiveness of the policy depends heavily on whether the government has chosen the ‘right’ infrastructure to invest in. For instance, investment into education and training could offer better economic output and, thus, **well-being** increases than home care services. Interventionist policy always inherently involves opportunity cost as governments have access to limited resources and

face the consequences of budget deficits. Thus, policymakers must ensure government expenditure is allocated as efficiently as possible.

Another limitation lies in how Biden is funding the policy. By increasing corporate tax rates from 21% to 28%, there could be a decrease in output and an increase in price levels as firms' costs rise. This would both increase unemployment and inflation, thereby decreasing **well-being**, negating benefits of the supply-side policy. Moreover, it would also decrease businesses' incentive to invest in the quality and quantity of factors of production as their disposable income—available income after taxes—decreases. Ultimately, this has a direct, negative effect on the long-run aggregate supply. Fundamentally, it is counter-intuitive to fund expansionary policy through contractionary policy.

Furthermore, if Biden's expenditures exceed revenue from the taxes, the government would effectively be deficit spending. Prolonged deficit spending could lead to unsustainable levels of debt and, catastrophically, defaults. This outcome can cause a higher cost of loans and harm growth rates and investment.

The success of this policy also depends heavily on the extent of time lag. Investment into education, training and transportation often takes decades to make an impact. The corollary is that it may be too slow to counteract the current inflationary pressure and decrease **well-being** despite the high costs. Government policy is also intrinsically inflexible; it is morally and politically difficult for a government to reduce welfare programs or infrastructure funding.

Ultimately, Biden should be cautious, ensuring that the policy is net-positive in the long run. If well-directed and effectively timed, an interventionist policy is a necessary strategy to reduce inflation and increase output.

Word Count: 794

Commentary 3

Title of the article: *EU imposes tariffs on stainless steel from India, Indonesia*

Source of the article: CNA

<https://www.channelnewsasia.com/business/eu-imposes-tariffs-stainless-steel-india-indonesia-2323736>

Date the article was published: November 19, 2021

Date the commentary was written: March 4, 2022

Word count of the commentary: 799 words

Unit of the syllabus to which the article relates: Global

Key concept being used: Interdependence

Business

EU imposes tariffs on stainless steel from India, Indonesia



FILE PHOTO: An employee works inside a stainless-steel utensil manufacturing unit on the outskirts of Jammu February 28, 2011. REUTERS/Mukesh Gupta/File Photo

19 Nov 2021 01:19AM | (Updated: 19 Nov 2021 01:14AM)



BRUSSELS : The European Union has imposed tariffs on imports of cold-rolled flat stainless steel products from India and Indonesia after an investigation found they were being sold at artificially low prices.

The European Commission, which conducted the investigation, has set duties of 10.2per cent for Indonesia's IRNC and 20.2per cent for other Indonesian producers, the EU official journal said on Thursday.

In the article from CNA, titled, “[European Union] imposes tariffs on stainless steel from India, Indonesia,” an investigative commission found that they were being sold at artificially low prices. Published on November 19th, 2021, the article reports that the EU has placed anti-dumping measures.

The key concept in the article is **interdependence**, which is essentially a system by which two nations support each other, be it through trade, labor specialization, or capital movement. The European Commission looks to remedy the damage caused to “EU producers such as Acerinox and Outokumpu.” To do this, the EU placed tariffs—a type of tax on trade—ranging from 10% to 35% on all Indian and Indonesian producers. Simultaneously, this will weaken the relationship between all countries involved, indicating a decrease in **interdependence**.

Before the protectionist measures, dumping—the sale of stainless steel at artificially low prices in the EU—by Indonesian and Indian manufacturers, caused the world price P_w to be lower than the domestic price P_d . This is depicted in the graph below.

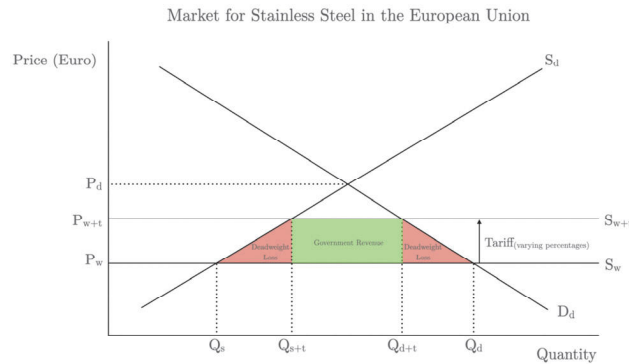


Figure 1: The Market for Stainless Steel in the European Union

At the world price, P_w , the domestic quantity demanded is Q_d , but the quantity supplied by domestic producers is only Q_s . Hence, the excess goods demanded by consumers, $Q_d - Q_s$, is met through imports.

In an anti-dumping effort, a tariff is imposed on imported goods by the EU. This tariff shifts the world supply curve up. The value of the tariffs varies depending on the Indonesian and Indian firms, ranging from 10% to 35%, so an exact value of tariff cannot be depicted on Figure 1.

In any case, the price of the stainless steel goods increases from P_w to P_{w+t} . As such, domestic