

## **SUBJECT AREA: ECONOMICS**

Economics is the study of exchange of wealth as it is affected by such things as productivity, distribution, and consumption of goods and services in a given society.

Should you choose Economics as the subject area for your extended essay, the examiner will look for you to play the role of an economist-- focusing on testing some economic theory, by applying it to real-world situations, becoming actively involved in presenting personal research, and to analyze and evaluate the outcomes of this research. The outcome of the research should be a coherent and structured analytical essay that effectively addresses the particular research question.

**You will be graded on your ability to do the following four things:**

### **1. Selecting appropriate economic information:**

There are two aspects of this.

**First:** gathering the information itself. This process should involve more than looking things up in a textbook, or encyclopedia. The examiner looks for some element of personal research from you-- such as carrying out a survey, conducting an interview, etc.

**Second:** You will be expected to be able to link the data you find directly and explicitly to your research question. Your ability to produce appropriate charts, graphs, tables and diagrams and interpret them will have a significant influence on your overall grade in this area.

### **2. Using appropriate language of economics:**

As you explain your data, you should precisely define terms which are appropriate to your topic and research question.

### **3. Understanding the relevant economic concepts:**

As you present your research, you will be expected to describe all specific economical concepts that relate to your investigation.

#### **4. Using relevant economic theory:**

Before you begin to investigate your economic issue, it is imperative that you be aware of the underlying theory affecting it. If you cannot name this theory, right from the beginning, you may omit important ideas in your presentation of your findings.

#### **Choosing your topic:**

An economics essay should use the core principles of economics as a basis for researching the topic. You should use a combination of primary and secondary research and should apply accepted economics theories, tools, and techniques.

Avoid topics that lead to narration and description. Also, avoid choosing interdisciplinary topics-- for example, ones that focus on the history of a specific trend, or economic situation.

Information obtained from sources should be no more than three years old. Essays that are too "retrospective", for example, "What was the impact of the South-east Asian crash on Thailand during 1990-1995?" almost invariably become descriptive and therefore do not do well.

Choose a topic that gives you a chance to collect and analyze data. Essays that focus on summarizing information from textbooks lead to essays that are too descriptive and do not do well. However, Specially selected secondary information that supports data answering your research question will be fully rewarded by the examiner.

#### **Examples of topics from previous essays:**

*\* What market form characterizes the oil supply industry around the Gulf Coast?*

*\* What is the effect of the recent increase of the minimum wage on the fast food industry in Florida?*

*\* To what extent has the fall in the exchange rate of the US dollar affected the tourist industry here in Florida?*

*\* What has been the effect of water privatization on the farming industry in Zambia?*

*\* What are some causes of changed employment patterns in local citrus agriculture and/or industry?*

*\* What evidence is there of price elasticity of demand for products in our school's store?*

*\* What are the effects of floating exchange rates on the shoe industry in Brazil?*

### **Range and variety of Sources:**

Use as many different types of sources as possible,  
Such as:

Scholarly journals	Documents	Government records
Interviews	Films & T.V.	Speeches & lectures
Magazines	Newspapers	Photographs
Books	Displays	Online sources

Include both **primary** and **secondary** sources.

A **primary source** would be the raw data from your survey, interviews, or other personal research.

A **secondary source** would be any other studies you encounter from reference materials you consult which are similar to the experiment you plan to conduct and which could support or refute the findings you derive from your investigation.

**In addition it might be well to bear this in mind:**

IBO warns us to use **online sources** sparingly. Though the Internet may seem more convenient, IBO stresses the importance of being careful about the quality of information found there. In the field of Economics there is a need for information that is up to date, and websites maintained by the Federal Government might offer valuable statistics. However, be very selective when seeking online information in general. Frequently this information lacks accuracy, authenticity and reliability.

Also occasional piracy exists in some websites. This could put your diploma at risk for malpractice penalties. Unless you are prepared to question and evaluate ideas found on the web as you present them in your essay, it is wise to stick with printed materials which respect copyrights and which have been examined for accuracy.

The following are some examples of titles, research questions, and approaches to a topic that have been used in the past:

**Title:** Pricing at the Local Supermarket

**Research question:** Will the recent policy of cutting bakery prices lead to increased revenue for the Safeway supermarket in \_\_\_\_\_?

**Approach to topic:** Primary research is conducted through observation and supported by secondary research, such as company records and textbooks. This results in a detailed examination of elasticity and its relationship with total revenue.

**Title:** The Economic Impact of Privatization

**Research question:** To what extent did Matav, a Hungarian telecommunications company, become more efficient post-privatization?

**Approach to topic:** Primary data is collected through interviews with company management (qualitative research) and secondary data is collected by accessing company reports. Economics texts are used for researching the economic theory of privatization.

**Title:** The Impact of Monetary Policy

**Research question:** Has the Kenyan central bank's policy of interest rate cuts led to a rise in new car sales in Nairobi?

**Approach to topic:** A consumer questionnaire (quantitative research) is circulated and interviews (qualitative research) are carried out with the sales managers of new car firms. Government macroeconomic statistics (secondary research) are also accessed.

### **Treatment of the topic:**

Students may choose to carry out original research on a topic within any of the syllabus sections in the current Economics guide. Check this out for ideas.

Consider “microeconomics”: Primary research can be carried out in the form of surveys, questionnaires or interviews.

Consider “macroeconomics”: International economics or development economics. In choosing these sorts of topics be aware of the pitfall of creating a research question whose scope is inappropriately wide. In such a case, narrowing your topic will be essential for a successful essay.

It is important that your question is original, and has not already been answered in secondary sources. In this case, you may be tempted to simply summarize material in a textbook, etc. rather than create a well developed and personalized argument.

Whatever approach you choose, you should make sure to integrate relevant economic theory with evidence obtained through research. An essay that delivers the theory as a separate section of the text and does not constantly apply it to the specific research question throughout the argument is unlikely to be successful in terms of the analysis and evaluation criteria.

Also: an extended essay in economics is a formal essay so students must be sure to adopt one of the common standards of presentation of research essays. (This may involve avoiding use of the first person in your writing style.)

### **FOLLOWING IS A LIST OF ASSESSMENT CRITERIA RELATIVE TO THE ECONOMICS EXTENDED ESSAY:**

#### **CRITERIA A: The research question**

It is strongly recommended that the research question is stated in the form of a question. It should not be a “double barrelled” question with two parts or a “yes/no” question. The answer to this question must be possible using contemporary economic theory, and the question itself must be clearly focused so that it is possible to answer it thoroughly within the word limit. The question must not be trivial nor should the answer to the question be patently obvious.

### **CRITERIA B: The introduction**

The introduction should explain succinctly the significance of the subject, why it is worthy of investigation and how the research question is appropriate for analysis using a specific economic theory. The plan for investigation, or "approach to the topic" should be laid out here. (See pg. 4 for examples).

The introduction should not be seen as an excuse for padding out the essay with a lengthy superficial account of the reasons for choosing the topic. The student's personal experiences or particular opinion is rarely relevant here.

### **CRITERIA C: The investigation**

The range of sources used in the investigation will be influenced by availability, and by the topic itself. In any case, there should be some evidence that appropriate economic sources have been consulted.

Wherever possible, primary sources should be used, with secondary sources as evidential support. Statistical data collected from books or the Internet, (for example, from national statistical agencies, the IMF, the ILO, the World Bank, the WTO) may be very valuable and can be effectively used to answer the question.

A personal study is strongly recommended for an essay to be successful. It's best to think about "quantitative" as well as "qualitative" research. If surveys are carried out, the questions must reflect appropriate and sensible economic analysis. For example, any conclusions about the elasticity of demand for a "good" would be highly suspect if a survey asked about hypothetical change in a quantity demanded based on a hypothetical change in price.

Proper planning may be demonstrated by the use of appropriate information to support a well-structured argument. The essay should not include theory or information that is not used to answer the research question directly. For example, it would not be appropriate to include large section of textbook economic theory without showing how and why that theory can be applied to the particular research question.

### **CRITERIA D: Knowledge and understanding of the topic studied**

Having chosen a topic of interest and carried out an appropriate amount of research, the student should be able to demonstrate in-depth knowledge of the topic. This is another reason why the research question has to be suitably focused. The essay should be comprehensive and thorough.

Axes and curves/lines on diagrams should be fully labelled. Relationships between the curves/lines should be accurately explained in the text following. For example, the relationship between marginal and average values should always show the correct mathematical link. If appropriate, there should be an discussion of the ideological underpinning of the diagram. For example, an essay looking at demand management as a way of reducing unemployment should refer to an appropriate "AS" curve.

### **CRITERIA E: The reasoned argument**

Students should use a sequence of well planned points relative to their chosen text to build the backbone for a developing argument. Embedded within this argument should be an understanding of the relevant and economics context. It should be evident throughout the entire essay that the research question is being answered. Relevant economic theory, concepts and data/information must be integrated in a logical and coherent manner. A valid and persuasive argument needs to be developed in a clear and structured way, with some awareness that there may be alternative viewpoints.

### **CRITERIA F: Application of analytical and evaluative skills appropriate to the subject**

Data/information must be presented in the context of appropriate economic concepts and theories. Effective analysis occurs if the information gathered is examined with constant reference to relevant economics theories. Essays that are highly descriptive... relating information gathered without interpretation will score poorly here.

Students should show critical awareness of the validity of their information and possible limitations of their argument. Very importantly, the essay should clearly note any assumptions that have been made in setting out the argument and reaching the conclusions.

In many cases, charts, tables and diagrams may offer valuable evidence of points made in the argument. However, in some cases such illustrations may not be beneficial to the essay. Diagrams should not be included if there is no evidence to support their relevance to the research question. For example, an essay looking at a non-collusive oligopoly should not indiscriminately include a kinked demand curve if there is no evidence of the behavior associated with such a curve. If such evidence exists, it should be clearly pointed out.

If theories or diagrams are included that are not supported by evidence, the student should note that the situation might be explained by the theory being employed-- but it should be kept in mind that there may no evidence to prove firmly that the theory is valid. For example, where it appears that a firm is operating in a monopolistically competitive market and is not making abnormal profits, but the student does not have proof of this, then the explanation should make clear that it is an assumption that has not been empirically proven.

The way in which a chart or diagram is used may affect the score of the essay. All diagrams must be integrated into the text of the essay. Real data should be shown on diagrams wherever possible. For example, if the essay is about using taxes to reduce the "negative externalities" caused by smoking in Canada, then the y-axis should show "the price of cigarettes (C\$ per package)" and any real numbers (for example, 25% tax) should show on the diagram. When real values are known, they should be shown.

## **CRITERIA G: Use of language appropriate to the subject**

It is extremely important that economic terminology is used and that definitions of key terms are provided. This will clearly enhance the academic tone of the essay-- and should be done in your introduction.

Definitions should be precise. For example, a discussion of elasticity should refer to percentage or proportionate changes as opposed to "big" or "small" changes.

## **CRITERIA H: The conclusion**

"Consistent" is the key word here: the conclusion should develop out of the argument and not introduce any new material. Any obvious limitations to the analysis/argument should be restated here, as evidence of critical awareness. For example, if a survey is carried out but the sample size is deemed to be rather small, then it could be stated that the sample size might limit the validity of the conclusion drawn and therefore, this limitation should be clearly pointed out and the "why" should be explained. If interviews are carried out, it could be noted that the ideological bias of the interviewees might limit the validity of the conclusions drawn. These, too, should be pointed out and explained.

## **CRITERIA I: The formal presentation**

This criterion relates to the extent to which the essay conforms to academic standards for the way in which research papers should be presented. Essays that omit a bibliography or that do not give references for quotations are deemed unacceptable (level 0) Essays that omit one of the required elements-- title page, table of contents, page numbers etc. are deemed no better than satisfactory (maximum level 2) while essays that omit two of these are deemed poor at best (maximum level 1). Additionally, if diagrams are poorly presented or if the information shown on the diagram is unclear, one mark will be deducted.

## **CRITERIA J: The abstract**

The abstract is judged on the clarity with which it states the research question, economic theory to be employed, and key ideas to be presented in the essay itself. Sources to be used should be presented and explained in terms of being primary or secondary, as well as the way in which surveys, interviews, etc. will be utilized. Reference to qualitative and quantitative research should be made as well. Findings should also be included to give an accurate synopsis of the essay as a whole.

## **CRITERIA K: Holistic judgement**

Qualities that are rewarded under this criterion include the following:

**Intellectual initiative:** Ways of demonstrating this in economics essays include undertaking appropriate primary research, for example, the construction of a meaningful and relevant survey with appropriate sample, or interview(s) with relevant people, drawing meaningful conclusions based on an analysis of a large amount of statistical data and the choice of an



original topic, ) although it should be noted that less original topics should not be penalized here.).

**Incite and depth of understanding:** These are most likely to be demonstrated as a consequence of making mature and balanced conclusions from the research undertaken, showing awareness of the limitations of the research, and evaluating the applicability of economic theory.

**Originality and creativity:** These will be apparent by clear evidence of a personal approach backed up by solid research and reasoning.

**Problems demonstrated by students in past essays:**

Following are problems reported by examiners relative to several important areas with respect to the Economics extended essays.

**Appropriate economic information:**

The extent to which the essay contains a comprehensive and original selection of economic information. It is likely that relevant and imaginative primary sources have been used.

**Problems in the past:**

Some candidates have submitted essays in which there is no personal research and/or which depend on summarizing secondary sources. IBO reminds us that if a research question does not lend itself to some sort of theoretical analysis, it cannot be considered suitable for an extended essay. Chosen issues should require strong theoretical background, the gathering of appropriate information, and the testing of a specific theory against reality and finally an analysis of that theory and the data obtained.

Another problem is that of "hybrid essays"-- that is, essays that combine economics information with that in other subjects-- like history, sociology, psychology or business studies. Reading several guides in these other areas could help clarify if your chosen issue is truly best submitted in the field of economics. History, for example, requires that a candidate's topic should avoid a time span within the last ten years. Therefore, if a topic deals with information that is older than ten years, it is more relevant to History than to Economics.

Some candidates, when selecting information for their essays, failed to link data directly to research. Such information should be illustrated by graphs, charts, tables, or diagrams or even maps. Be sure to distinguish cause and effect, account for multiple interpretations of the data, and show how some data can influence others.

\*Note: When drawing conclusions based on time-series data, be prepared to convert current prices into constant prices.

### Using the language of economics:

The extent to which economic terms are used accurately and reliably whenever they are needed. Exact definitions are given wherever appropriate.

#### **Problems in the past:**

This seemed to be the criteria under which candidates seem to do best. If their chosen topic was appropriate, they could not help but use the language of economics. IBO reminds us not to forget to define the terms used in an appropriate manner. You want to get credit for knowing their meanings.

### Understanding the relevant economic concepts:

The essay applies a well-considered choice of concepts when addressing the research question. The concepts are applied in an accurate, consistent and even imaginative manner.

#### **Problems in the past:**

Most candidates have problems, with concepts they do not include-- as opposed to those they do include. Also, there has been a close correlation between candidates that score well on this criterion and those that score well on Criterion M. (see below).

### Use of relevant economic theory:

Relevant and sufficient theory has been explained. It has been logically and even imaginatively applied when answering the research question. The candidate shows a thorough understanding of the theory used.

### **Problems in the past:**

When considering an extended essay in Economics, a good first question to ask is: What theory are you planning to test? Candidates who cannot answer this question are unlikely to score well in this subject area. The best candidates have tried to test their theories in an imaginative way. Some essays lacked theory, or were based on a topic that was inappropriate.

The problem with writing an essay which combines theory and data has thwarted many candidates. Often they want to separate the essay into two distinct parts: Theory and Data. First they write a section laying out the theory. Then, they include a massive section with all their charts and graphs. IBO urges that you combine the data in charts and graphs to show how they have proven the theory you've chosen to investigate.

Another problem is the over-ambitious question. (Often a "what would have happened if" question. *i.e. Should Country X have devalued its exchange rate in 1996 rather than 1998?*) This kind of question requires sophisticated econometric analysis and tends to get unsubstantiated subjective opinions.

### **In conclusion:**

IBO warns us that an extended essay in Economics is a formal essay, and as such, the general assessment criteria for the formal presentation of an extended essay should be studied carefully. It should also be remembered that an Economics essay must be written in an objective style and devoid of personal bias. Observations and conclusions must be derived from the evidence, and not based on any preconceptions of the author.

**Important!!** *Check with your mentor about economic theories, concepts and correct procedures for conducting personal research. That could steer you in the right direction, and reinforce the ideas you already have.*