

Checklist: Policies for Paper 3 (HL only)

Paper 3, part (b) asks you to *recommend a policy* in order to address a particular issue that is spelled out in the exam paper. (See Paper 3 in the digital coursebook.)

Recommend is an AO3 command term, therefore it requires *synthesis and evaluation*. (See ‘Introduction to IB Economics Assessment’ in the digital coursebook.)

Here you will find a list of all the policies that appear in the syllabus, along with the chapter where the policy is discussed. In the case of each policy, you should be able to:

- identify when it can be used in order to help achieve an economic objective
- explain how it can help achieve the objective
- discuss advantages and disadvantages of the policy.

Microeconomic policies

Government intervention in markets (Chapter 4)

- Price ceilings
- Price floors
- Indirect taxes
- Subsidies

Negative production externalities and common pool resources (Chapter 5)

- Indirect taxes
- Carbon taxes
- Tradable permits
- Legislation and regulation
- Collective self-governance
- Education, awareness creation
- International agreements

Negative consumption externalities (Chapter 5)

- Indirect taxes
- Legislation, regulation
- Education, awareness creation
- Nudges

Positive production externalities (Chapter 6)

- Subsidies
- Government provision

Positive consumption externalities (Chapter 6)

- Legislation, regulation
- Education, awareness creation
- Nudges
- Government provision
- Subsidies

Public goods (Chapter 6)

- Government provision
- Contracting out to the private sector

Asymmetric information (Chapter 6)

- Legislation and regulation
- Provision of information

Government responses to abuse of significant market power (Chapter 7)

- Legislation and regulation
- Government ownership
- Fines

Macroeconomic policies

Policies to reduce poverty, income and wealth inequalities (Chapter 12)

- Progressive taxes
- Reduce inequality of opportunities (such as investment in human capital)
- Transfer payments
- Targeted spending on goods and services
- Universal basic income
- Policies to reduce discrimination
- Minimum wages

Policies to reduce business cycle fluctuations, achieve low and stable rate of inflation, low unemployment, economic growth (Chapter 13)

Demand-side policies

- Expansionary/contractionary monetary policy
- Expansionary/contractionary fiscal policies

Supply-side policies

- Market-based
 - Policies to encourage competition (deregulation, privatisation, trade liberalisation, anti-monopoly legislation)
 - Labour market policies (reducing power of labour unions and unemployment benefits, abolishing minimum wages)
 - Incentive-related policies (cuts in personal income taxes, business taxes, capital gains taxes)
- Interventionist
 - Education, training
 - Improving quality, quantity, access to health care
 - Research and development
 - Provision of infrastructure
 - Industrial policies

The global economy

International trade policies (Chapter 14)

- Specialisation according to comparative advantage
- Tariffs
- Quotas
- Production subsidies
- Export subsidies
- Administrative barriers

Economic integration (Chapter 15)

- Formation of trading blocs (free trade areas, customs unions, common markets)
- Monetary union
- Membership of the World Trade Organization

Exchange rate and balance of payments policies (Chapters 16–17)

- Floating versus fixed (pegged) versus managed exchange rate system
- Currency depreciation/devaluation
- Currency appreciation/revaluation
- Overvalued/undervalued currencies
- Expenditure switching policies
- Expenditure reducing policies
- Supply-side policies

Economic growth and development strategies (Chapter 20)

- Trade strategies (import substitution, export promotion, economic integration)
- Diversification
- Social enterprise
- Market-based policies (trade liberalisation privatisation, deregulation)
- Interventionist policies (redistribution, such as tax policies transfer payments, minimum wages)
- Merit good provision (education programmes, health programmes, infrastructure)
- Inward foreign direct investment
- Foreign aid
- Multilateral development assistance (World Bank, IMF)
- Institutional change
 - Access to banking
 - Women's empowerment
 - Reducing corruption
 - Property rights
 - Land rights