IB Economics Year One Semester One

Section 1 Graphs and short answer (30 minutes) and Section 2 – Essay Part A and B (60 minutes)

Terminology

Unit 1

Rational economic behavior
Macroeconomics
Microeconomics
Positive vs. Normative statements
Economic models
Utility
Profit
Welfare Maximization
Economic goods
Factors of Production
Types of Capital
- Physical
- Human
- Natural
- Financial

Circular Flow model
Inputs
Outputs
Households
Firms
Goods Market
Factor Market
Factor Payments
Command/market/mixed economies
Scarcity
Opportunity cost
Tradeoff
Production possibility boundaries
Production possibility frontier
Production possibility
Allocation of Resources
Re-allocation of Resources
Misallocation of resources
Unemployed resources
Sectors of the economy
- ❖ Primary
- ❖ Secondary
- ❖ Tertiary

Unit 2

Self-interested
"The Invisible Hand"
Efficiency
Competition

Market
Demand Schedule
Demand Curve
Demand
Quantity Demanded
Supply Schedule
Supply Curve
Supply
Quantity Supplied
Ceteris Paribus
Substitutes
Complements
Shortage – Excess Demand
Surplus – Excess Supply
Law of Supply
Law of Demand
Equilibrium price and quantity
Market Clearing Price
Consumer Surplus
Producer Surplus
Incentive function
Signaling function

Unit 3

Producer Revenue
Consumer Expenditure
Government Revenue
Tax Revenue
Price controls
Price floor
Price ceiling
Rent control
Food price controls
Parallel markets
Minimum wage
Agricultural Price supports
Subsidies
Direct taxes
Indirect taxes
Excise tax
Specific tax (flat tax)
Ad valorem tax
Tax incidence

Unit 4

Elasticity
- Price elasticity of Demand (PED)
- Price elasticity of Supply (PES)

Elastic
Inelastic
Perfectly inelastic
Perfectly elastic
Unit Elastic
Revenue
Total Revenue Test

Income Elasticity of Demand (YED)
Cross Elasticity of Demand (XED)

Substitute goods
Luxury goods
Necessary goods
Normal goods
Inferior goods
Elasticity and sectors of the economy

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Objectives:

Unit 1

1. Explain the definition of economics as a social science.
2. Explain the role and purpose of models in economics.
3. Use the three basic economic questions (what, how and for whom) facing a society to explain and describe their economy.
4. Use the Production Possibility Boundaries graph to illustrate the concepts of opportunity cost and tradeoffs.
5. List the determinants that can cause the PPC to shift.
6. List and explain the factors of production and describe the flow of factor payments.
7. Explain the definition and role of markets in the economy.
8. Explain how households, firms and governments interact in a market economy.
9. Illustrate the circular flow of expenditures and income between producers and consumers.

Unit 2

1. Compare and Contrast the different types of economies .
2. Explain and distinguish between the concepts of quantity demanded and demand and quantity supplied and supply in writing and on a graph.
3. Explain and illustrate how the demand curve shows the relationship between quantity demanded and price.
4. Explain how the supply curve shows the relationship between quantity supplied and price.
5. Indicate and describe the determinants of demand and supply.
6. Understand how and why supply and demand curves shift.
7. Use supply and demand graphs to illustrate the concept of equilibrium price and quantity.
8. Explain how price changes in the market cause re-allocation of resources in the economy.
9. Distinguish between individual demand and market demand and between a firm's supply curve and a market supply curve.

Unit 3

1. Explain the impact of price controls and price supports on markets and illustrate the impact on a graph.
2. Examine the consequences of price ceilings and price floors.
3. Discuss the consequences of imposing price controls on different stakeholders.
4. Analyze the impact on the markets of imposing an indirect tax and show on a graph.
5. Explain the reasons why governments impose indirect taxes.
6. Analyze the impact on the markets of imposing a subsidy and show on a graph.
7. Use diagrams to show specific and ad valorem tax and the impact on the market.
8. Evaluate the consequences of government intervention in the form of subsidies, taxes or price controls on different stakeholders. (Use examples)

Unit 4:

1. Identify and explain the determinants of Price elasticity of Demand.
2. Use the quantity and price information to calculate elasticity using the elasticity formula.
3. Explain and calculate the varying elasticity along the demand curve and how this differs from the slope of the line.
4. Use the total revenue test to test for price elasticity of demand.
5. Use demand curves to demonstrate changes in total revenue and different elasticities.
6. Explain the varying PED for different sectors of the economy. (Primary, secondary, tertiary)
7. Calculate and explain the meaning of the values of XED and YED.
8. Examine the implications of varying YEDs for products from different sectors of the economy. (Primary, secondary, tertiary) and explain how this impacts producer revenue.

9. Describe the uses of the elasticity concept for firms and managers.
10. Identify and explain the determinants of Price elasticity of Supply.
11. Explain how elasticities can change in the Short run vs. the Long Run.
12. Explain the varying PES for different sectors of the economy. (Primary, secondary, tertiary)