**Curriculum**

**IB Economics Y1**

**Course Overview**

IB Year 1 Economics has three sections: Introduction to Economics, Microeconomics and Macroeconomics. In the Introduction component, students learn about the basic economics concepts, which are the building blocks of the subject. Microeconomics is the branch of economics, which deals with the functions of individual decision makers within the larger economic system. Macroeconomics is the branch of economics, which deals with the study of an economic system as a whole.

**Department Standards**

Expected Outcomes:

1. Knowledge of and interest in history, the social and behavioral sciences and related subjects.
2. Constructive participation in a democratic society.
3. Understanding of various societies throughout history.
4. Development of critical analysis skills.
5. Development of research skills.
6. Development of communication and presentation skills.

**Benchmarks**:

* To give students a thorough understanding of the principles of economics that apply to the functions of individual decision-makers (micro) and to an economic system as a whole (macro)
* To empower students to use economic reasoning in their decision-making process
* To give students the knowledge to be successful in an "intermediate" level of university economics or in an economics degree course
* To help students develop analytical, organisational and evaluation skills in writing essays and commentaries
* To help students acquire and develop basic numeracy, quantitative and graphical skills needed for economic analysis
* To assist students to understand how economic fundamentals apply to contemporary economic occurrences
* To develop a logical thought process in students
* To teach students how to construct economic models for graphical analysis
* To teach students how to interpret data presented in graphical form
* To facilitate so students can master a lexicon of subject specific terms
* To prepare students thoroughly for the IB exams
* To prepare students to move on to IB Year 2 Economics

**Performance Indicators**

Q1 - Students will:

-be able to explain why a society must make choices in allocating its scarce resources

-develop a new technical, subject specific vocabulary

-acquire basic numeracy, quantitative and graphing skills for economic analysis

-understand the importance of setting assumptions in economic theories

-grasp a basic knowledge of the cornerstone of microeconomics - supply and demand

-recognise the cause and effect nature of economics

-gain a grounding in the fundamentals of economic analysis

-develop skills to construct and analyse economic models

-investigate how a market economy rations its resources

-distinguish between consumer surplus and producer surplus

-understand basic government intervention into market to promote equity

Q2 - Students will:

-expand their economic vocabulary

-hone basic numeracy, quantitative and graphing skills for economic analysis

-glean a more thorough understanding of supply and demand through elasticity and international trade

-apply elasticity to real world scenarios

-understand the relationship between PED and total revenue

-classify and distinguish between the different types of elasticity (PED, XED, YED, PES)

-evaluate the strengths / weaknesses of market economies

-critically assess government intervention into the free market

-evaluate the winners and losers due to government imposed price controls

-evaluate the winners and losers due to free trade and protectionism

-recognise the difference between short run and long run

-compare inefficiencies in markets brought about by government failure in using price controls and protectionist devices

-understand costs and revenues

-classify costs as short run, long run, variable, fixed, average, total or marginal

-grasp the fundamentals of theory of the firm by learning how to build the first model - perfect competition

-produce diagrams of the perfect competition model making short run economic profit, short run losses and earning normal profit

Q3 - Students will:

-expand their economic vocabulary

-develop basic numeracy, quantitative and graphing skills for economic analysis

-compare and contrast perfect competition with monopoly, monopolistic competition and oligopoly

-infer the inter-relationship between markets by linking product markets to factor markets

-grasp the notion of derived demand, the lynch pin of product and factor markets

-critically assess the workings of the free market

-understand the ways in which the free market fails to lead to an efficient allocation of resources

-critique the role of government in a market economy to correct market failure

-understand the equity vs. efficiency trade-off

-recognise the basic fundamentals of exchange rates in a floating exchange rate regime

-differentiate between micro and macro

-compare and contrast different types of economic systems

-recognise money flows through the circular flow of income in a national economy

-identify the 5 macroeconomic objectives of governments

-summarise how GDP is calculated

Q4 - Students will:

-expand their economics vocabulary

-develop basic numeracy, quantitative and graphing skills for economic analysis

-interpret the big macroeconomic indicators of the health of an economy (inflation, growth and unemployment)

-differentiate between cost-push and demand pull inflation

-classify the different types of unemployment

-recognise the short run trade-off between inflation and unemployment as manifested by the Phillips Curve

-explain why there is no LR trade-off between inflation and unemployment

-differentiate between the SR Phillips Curve and the LR Phillips Curve

-recognise the costs and benefits of inflation, growth and unemployment

-differentiate between deflation and disinflation

-compare and contrast the Monetarist and Keynesian schools of economic thought

-develop an understanding of AD/AS analysis

-evaluate the efficacy of monetary policy, fiscal policy and supply-side policies

-implement monetary policy and fiscal policy in scenarios depicting inflationary and deflationary gaps

-recognise and appreciate the conflicting objectives that governments face when they use demand-side policies to manage the national economy

-evaluate the strengths and weaknesses of demand-side and supply-side policies to manage a national economy

**Assessments**

**Quarter 1**

Intro Quiz

PPF Quiz

Basic Concepts Test

Trade Quiz

Demand Quiz

Demand Test

Supply Quiz

Supply and Demand Quiz

Supply and Demand TestEssay

**Quarter 2**

Elasticity Quiz 1

Elasticity Quiz 2

Elasticity Homework

Consumer / Producer Surplus Quiz

Production Test

Trade Quiz

Perfect Competition Homework

Perfect Competition Quiz

Perfect Competition Quiz 2

Monopoly Quiz

Essay

Semester Exam

**Quarter 3**

Monopolistic Competition Quiz

Labor Market Quiz

Exchange Rates Quiz

Exchange Rates Homework

Market Failure Quiz

GDP QuizEssay

**Quarter 4**

Inflation Quiz

Growth Quiz

Unemployment Quiz

AD / AS Quiz

Essay

Commentary 1

Semester exam

**Core Topics**

**Basic Economic Concepts**

**Microeconomics**

The Nature and Function of Product Markets

Elasticity - (PED, XED, YED and PES)

Production and Costs

Intro to Trade

Theory of the Firm

The Nature and Function of Factor Markets

Market Failure and the Role of Government

**Macroeconomics**

Intro to Macro

Circular Flow of Income

GDP

Inflation

Growth

Unemployment

Exchange Rates in a Free Floating System

AD / AS Analysis

Monetary Policy

Fiscal Policy

Supply-side policies

**Specific Content**

I. Basic Economic Concepts / Introductory Concepts

Topics to be covered include:

The Basic Economic Problem

* What to produce?
* How to produce?
* For whom to produce it? (The functions of any economic system)

Circular Flow of Income

The Production Possibility Frontier

Microeconomics v. Macroeconomics

Positive vs. Normative Economics

Opportunity Costs & Trade-offs

Absolute Advantage

The Theory of Comparative Advantage

How specialisation and trade can increase the total output of goods and services

II. The Nature and Functions of Product Markets

Topics to be covered include:

The Theory of Demand

Exceptions to the Law of Demand (Non-obligatory)

Law of Diminishing Marginal Utility

The Theory of Supply

Determinants of Demand other than price

Determinants of Supply other than price

The Price Mechanism

Elasticity (PED, XED, YED and PES)

Consumer, Producer and Community Surplus

Government policies (price controls)

* Price Ceilings & Floors
* Buffer Stock Schemes
* Incidence of tax
* Subsidies paid to producers and consumers

Trade and Tariffs

Production and Costs

* The Law of Diminishing Returns
* Costs and Revenues

Fixed and variable costs

Totals, averages and marginals

* Long Run and Short Run distinction
* Cost curves and their shapes
* Economies and diseconomies of scale

III. Theory of the Firm

Topics to be covered include:

Classical Theory of the Firm - the Profit Maximisation assumption

Profit Maximisation Rule

Market Structures

* Perfect Competition
* Monopoly (Price Discrimination)
* Monopolistic Competition
* Oligopoly

IV. The Nature and Functions of Factor Markets

Topics to be covered include:

Circular Flow of Income Diagram

Labour Market (under perfect competition)

Labour Supply

Wage and employment determination

Land, Capital, Enterprise

Impact of minimum wage, unions, monopsonies and product market monopolies

V. Market Failure and the Role of Government

Topics to be covered include:

Market Failure

* Externalities
* Missing Markets (Merit/Demerit Goods, Public Goods)
* Imperfect Competition
* The question of equity and the unequal distribution of wealth

Government policies to correct market failure (taxes, subsidies, legislation, progressive tax schemes, state provision, transfer payments)

The impact of government tax policies and transfer payments on the distribution of income and economic efficiency

The equity vs. efficiency trade-off

I. Introduction to Macroeconomics

Types of economic systems (\*New topic\*)

* Command, Market and Mixed Economies

II. Measurement of Economic Performance

Circular flow of income diagram

Gross Domestic Product (GDP)

Expenditure Method - C+I+G+NX where C = consumer expenditure, I = investment, G = government expenditure and NX = net exports or the value of exports minus the value of imports.

Income approach - W+I+R+P where W = wages of workers, I = interest, R = rental income of persons and P = profits of firms.

Output Method - Value added approach

Problems with calculating GDP

* non-market transactions
* income distribution

Changing nominal GDP to real GDP

The GDP deflator

Other national income measurements

* Gross National Product (GNP)
* Net National Product (NNP)
* Personal Disposable Income

III. Inflation

The meaning of money

The meaning and measurement of inflation

Price indices

* Consumer Price Index
* Producer Price Index

Differing views on the causes of inflation

- Monetarists v. Keynesians

The Quantity Theory of Money and Monetarists

Money Neutrality

Velocity of the Circulation of Money

Simple Aggregate Demand and Aggregate Supply Analysis

Demand Pull and Cost Push Inflation

Costs and benefits of inflation

IV. Unemployment

The definition of unemployment

Measurement

Types of unemployment

Causes - unemployment occurs for one of two broad reasons

* Unemployment when the labour market is in equilibrium
  + Search and frictional unemployment
  + Seasonal unemployment
  + Structural unemployment (sectoral, regional and technological)
* Unemployment when the labour market is in disequilibrium
  + Involuntary/Cyclical unemployment

Costs and benefits of unemployment

V. Growth

Potential v. Actual and Growth v. Development

Causes of economic growth

Productivity

The importance of saving, investment and consumption

Marginal propensity to save/Marginal propensity to consume

Closed economy v. open economy

Saving and investment in a closed economy

Foreign direct investment and portfolio investment

Role of financial markets

Costs and benefits of growth

VI. Macroeconomics in an Open Economy

Balance of payments

* Current Account v. Capital Account

Exchange Rates - Nominal v Real

* Three factors that affect the value of a national currency
  + imports and exports,
  + foreign direct investment and portfolio investment
  + speculation

VII. Aggregate Demand and Supply Analysis: National income, equilibrium output and price determination

Business (Economic) Cycle - Roller Coaster - the four phases

Aggregate demand

* Why is the AD curve downward sloping
  + the wealth effect
  + the interest rate effect
  + the exchange rate effect
* Factors that shift the AD curve

Aggregate supply

* Short run AS
* Views on the shape of the long run aggregate supply curve
* Keynesians v. classical (monetarist) economists
* Factors that shift the AS curve

Aggregate demand and supply analysis

The self-correcting AD/AS model to explain short run fluctuations in the economy, i.e. to explain the business cycle

VIII. Government policies to manage the economy

Monetary Policy

* The demand for money and how it may affect interest rates
* Three devices the Fed uses to control the money supply
* Four objectives of monetary policy
  + To control inflation/promote price stability
  + To reduce unemployment
  + To promote economic growth
  + To improve the current account balance
* Expansionary v. contractionary monetary policy

Fiscal Policy

* Changes in government spending
* The Multiplier effect
* The crowding out effect
* Changes in tax rates
* Supply-side policies

IX. The Phillips Curve

What is the Phillips Curve? The trade off between inflation and unemployment

Short Run v Long Run

**Resources**

Economics – N Gregory Mankiw and Mark Taylor

Economics 4th ed – Alain Anderton

IB Economics Course Companion 2nd ed – Jocelyn Blink and Ian Dorton

IB Economics Revision Guide – Constantin Ziogas

Economics for the Good, the Bad and the Economist – Matt McGee

Economics Today – Quarterly periodical from Anforme Publishers

Advanced Economics through Diagrams – Andrew Gillespie