

IB Economics Unit Summaries:

Introduction to Economics: Students will begin their study of Economics by researching some basic definitions and the distinctions between Business and Economics, between Microeconomics and Macroeconomics, and between Positive and Normative observations. This should help the student to begin to understand the nature of Economics itself.

There also distinctions made between Market Economics and Authoritarian or Traditional Economies, and students are introduced to simple resource decisions with a *production possibilities diagram*.

Unit 1: Microeconomics: Microeconomics is the study of how individual markets work, not the market of countries. A microeconomic market is for any single category of good, like the market for potatoes or the market for real estate. Here we focus is on microeconomic markets and how they work. We start with basic definitions and explanations of supply and demand, how they work together, methods for controlling markets, and ways to measure special characteristics (elasticity).

We will examine how supply and demand interact in particular markets and we will look at one valuable tool for analyzing markets—elasticity. The higher level students will have the bulk of their extra work in this section, looking at the different market types very closely and learning to model reactions in the different markets.

Unit 2 Macroeconomics Overview: Described as “the study of how a whole economy works—all the markets inside a particular country,” and one of the major challenges of macroeconomics was said to be that of encouraging *economic growth*.

Other related problems will also be studied here—*inflation, unemployment, production*--how countries can measure these variables, and how they are related to each other. We start to understand these connections using *aggregate demand* and *aggregate supply* curves.

Still more of macroeconomics involves the different schools of thought that dictate how public policy might encourage the best outcomes. These schools of thought include: Keynesian Economics, Classical Economics, Monetarist Economics, Supply-side economics and the related Laffer Curve theory.

Unit 3: International Economics: influences that govern trade, the advantages of free trade over restricted trade, and the reasons free trade is often compromised. Included are explanations of how exchange rates are determined and influenced, the policies of the World Trade Organization and the World Bank, and how trade is influenced by changes in policy in particular countries.

Unit 4: Development Economics: Development tends always to be a topic for questions on the IB exam. It is an interesting topic and an important one as well. Development incorporates almost all economic concepts in its analysis, so it comes appropriately as the last unit of the IB syllabus.

The study of development includes one very important distinction, that economic growth is not exactly the same as development. This point is stressed constantly, as it is important for students to understand that the growth of a country’s GDP does not necessarily mean that people live more safely or comfortably.

Other points focus on strategies for development, aid programs and the conditions often required, and why free trade is generally encouraged for developing countries, but not encouraged in all circumstances.