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# IB Economics Syllabus

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## Section 1: Introduction to economics

### 1.1a Introduction

- Definitions of social science and economics
- Definitions of microeconomics and macroeconomics
- Definitions of growth, development, and sustainable development
- Positive and normative concepts
- *Ceteris paribus*
- Scarcity
  - factors of production: land, labor, capital and management/entrepreneurship
  - payments to factors of production: rent, wages, interest, profit

### 1.1b Key Economic Questions

- Rationing systems
  - basic economic questions
    - what to produce?
    - how to produce?
    - for whom to produce?
  - mixed economies
    - public
    - private
    - central planning versus free market
    - economies in transition

### 1.1c Production Possibilities

- Choice
  - utility: basic definition
  - opportunity cost
  - and economic goods
  - production possibility curves: definition
    - diagrams showing opportunity cost, actual and potential output
    - diagrams showing economic growth and economic development

### 1.1d Economic Growth

## **Section 2: Microeconomics**

### **2.1a Markets**

- Definition of markets with relevant local, national and international examples
- Brief descriptions of perfect competition, monopoly and oligopoly as different types of market structures, and monopolistic competition, using the characteristics of the number of buyers and sellers, type of product and barriers to entry
- Importance of price as a signal and as an incentive in terms of resource allocation

### **2.1b Demand**

- Definition of demand
- Law of demand with diagrammatic analysis
- Determinants of demand
- Fundamental distinction between a movement along a demand curve and a shift of the demand curve

#### **Higher level extension topic**

- Exceptions to the law of demand (the upward-sloping demand curve)
  - ostentatious (Veblen) goods
  - role of expectations
  - Giffen goods

### **2.1c Supply**

- Definition of supply
- Law of supply with diagrammatic analysis
- Determinants of supply
- Effect of taxes and subsidies on supply
- Fundamental distinction between a movement along a supply curve and a shift of the supply curve

### **2.1d Interaction of demand and supply**

- Equilibrium market clearing price and quantity
- Diagrammatic analysis of changes in demand and supply to show the adjustment to a new equilibrium

## **2.1e Price controls**

- Maximum price: causes and consequences
- Minimum price: causes and consequences
- Price support/buffer stock schemes

## **2.2 Elasticities**

### **2.2a Price elasticity of demand (PED)**

- Formula

$$\frac{\% \Delta \text{ in } Q_d}{\% \Delta \text{ in price}}$$

- Definition
- Possible range of values
- Diagrams illustrating the range of values of elasticity
- Varying elasticity along a straight-line D curve
- Determinants of price elasticity of demand

### **2.2b Cross-elasticity of demand**

- Definition
- Formula
- Significance of sign with respect to complements and substitutes

### **2.2c Income elasticity of demand**

- Definition
- Formula
- Normal goods
- Inferior goods

### **2.2d Price elasticity of supply**

- Definition
- Formula
- Possible range of values
- Diagrams illustrating the range of values of elasticity
- Determinants of price elasticity of supply