Course notes

International Baccalaureate · IB Diploma · Economics · SL

IB economics first assessment 2022

Three supervised news commentaries cover microeconomics, macroeconomics and the global economy through distinct key concepts. School checks source recency and commentary requirements against the full guide.

SL: Paper 1 75 min 30%, Paper 2 105 min 40%, commentary portfolio 30%. HL: Paper 1 75 min 20%, Paper 2 105 min 30%, policy Paper 3 105 min 30%, portfolio 20%.

1 · Economic inquiry and choices

A positive statement can be tested against evidence; a normative statement includes a value judgement.

Models simplify reality to reveal mechanisms; explain which assumptions make the mechanism plausible.

> ■ **Checked example**
>
> Building the rail line uses land and labour that could support another project. Its opportunity cost is the benefit of the best rejected project.
> Assess efficiency and equity separately before considering trade-offs between them.

■ Limits and practice

Do not label every uncertain forecast normative. A forecast may still be testable.

Explain assumptions such as other factors remaining constant before transferring a model to a real case.

Which statement is normative?

Answer: The rail project should prioritise equality over profit.

2.1–2.7 · Demand, supply and policy

Demand and supply determine market equilibrium; elasticity measures responsiveness.

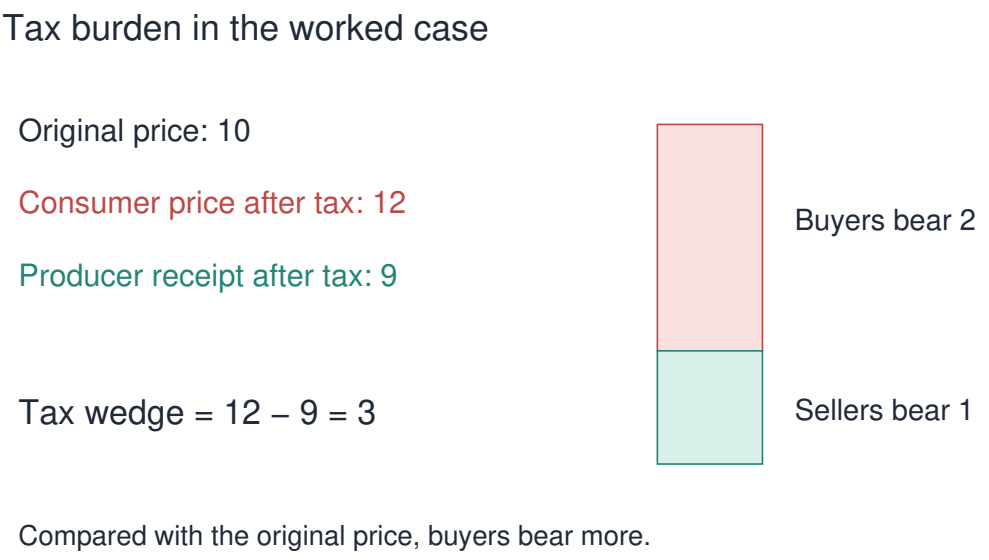
A specific tax shifts supply upward by the tax per unit in the standard competitive model.

■ Checked example

If consumers pay 12 after a tax and producers receive 9, the tax wedge is 3. Compared with an original price of 10, buyers bear 2 and sellers bear 1.

Consumer payment equals producer receipt plus the tax: $12 = 9 + 3$.

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■ Limits and practice

Tax incidence depends on relative elasticities, not who sends the payment to government.

Evaluate effects on output, revenue, stakeholders and equity; behavioural assumptions can change responses.

Who bears more of this tax compared with the original price?

Answer: Consumers bear 2 per unit, while producers bear 1.

2.8–2.9; 2.12 · Market failure and equity

A common-access resource is rival and non-excludable. A public good is non-rival and non-excludable.

For a negative production externality, MSC exceeds MPC, and the market may produce more than the socially efficient quantity.

■ Checked example

A catch limit may protect renewal if monitoring is effective. Tradable permits can let lower-cost users adjust more.

Judge each response using fish-stock evidence, enforcement, livelihoods and distribution of access.

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■ Limits and practice

Common resources and public goods are not interchangeable.

An efficient policy can still place heavier burdens on low-income groups; equity needs a separate argument.

Which description fits the shared fishing stock?

Answer: Rival and difficult to exclude users from: a common-access resource.

3 · Macroeconomic activity, objectives and policy

AD is C + I + G + (X − M). A change in demand must be interpreted alongside short-run and long-run supply.

Real GDP, inflation and unemployment measure different outcomes; distribution and sustainability also matter.

■ Checked example

With spare capacity, public spending can raise real output and employment. Near capacity, demand pressure is more likely to raise prices.
Compare fiscal stimulus with training or infrastructure, explaining different lags and channels.

■ Limits and practice

A rise in nominal GDP does not show real growth without a price adjustment.

Avoid a list of policies without a mechanism, affected stakeholders and conditions for success.

Why does spare capacity matter for a demand stimulus?

Answer: It makes an increase in real output more feasible without as much price pressure.

4 · Global economy and development

Trade permits specialisation by comparative advantage. Protection changes prices, quantities and distribution.

Development involves health, education, capabilities and sustainability as well as income; no single indicator captures all of them.

■ Checked example

An exporter paid 100 dollars receives 700 yuan at 7 yuan per dollar and 800 at 8. Imported dollar-priced inputs also become more expensive.
The net gain depends on input exposure, demand responsiveness and existing contracts.

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■ Limits and practice

Exchange-rate quotations must be explicit. HL quantitative techniques and policy recommendations extend common SL analysis.

Commentary evaluation should explain the chosen concept and article facts, not retell the article.

What additional fact is needed before judging the exporter's gain?

Answer: The cost and share of imported inputs as well as demand for its exports.

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