

## IB Economics: mechanisms and qualified judgement

Supported preparation only; actual school choices and assessed work remain separate

## Scarcity and assumptions: method

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Scarcity means resources cannot meet every competing use. Opportunity cost is the next-best alternative forgone. A production possibility model fixes resources and technology for a period; a point inside may indicate underuse, while an outward frontier shift indicates greater potential.

A positive claim is in principle testable; a normative claim requires a value judgement.

## Economic inquiry and choices: source representation

### **Original source / task evidence**

Task: the same labour can make either 20 desks or 40 chairs, with a straight frontier. What is the opportunity cost of one desk, and is “chairs should be prioritized” positive?

Separate what is stated from the interpretation.  
Scarcity and assumptions

Original fictional task source; not an authentic selected work.

## Scarcity and assumptions: worked case

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Task: the same labour can make either 20 desks or 40 chairs, with a straight frontier.  
What is the opportunity cost of one desk, and is “chairs should be prioritized” positive?  
Identify the evidence before reading the model.

## Scarcity and assumptions: reasoning

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Opportunity cost per desk =  $40 \text{ chairs} / 20 \text{ desks} = 2 \text{ chairs per desk}$  under constant trade-offs. The should claim is normative and needs a criterion, such as need or fairness.

Actual costs may change along a curved frontier.

## Scarcity and assumptions: your transfer

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Output moves from inside the PPC to its unchanged boundary. Has productive potential increased?

Pause and give an individual answer with reasons.

## Scarcity and assumptions: transfer review

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The unchanged boundary indicates the same modelled potential. More resources are employed or used efficiently, so actual output rises without a demonstrated capacity increase.

An outward boundary shift would represent higher potential under changed resources or technology.

## Equilibrium, elasticity and intervention: method

### Equilibrium, elasticity and intervention: method

Equilibrium joins quantity demanded and supplied at one price. An own-price change moves along a curve; a changed determinant shifts it. Elasticity uses proportional changes, not the slope alone.

A tax creates a wedge between consumer and producer prices; incidence depends on relative responsiveness.

## Demand, supply and policy: source representation

Tax burden in the worked case

Original price: 10

Consumer price after tax: 12

Producer receipt after tax: 9

Tax wedge =  $12 - 9 = 3$



Compared with the original price, buyers bear more.

Reused original source-lesson representation; values belong to that source example.

## Equilibrium, elasticity and intervention: worked case

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Task: price rises from 10 to 12 currency units and quantity demanded falls from 100 to 90 units. Use the original-value percentage convention to compute PED and interpret revenue.

Identify the evidence before reading the model.

## Equilibrium, elasticity and intervention: reasoning

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Percentage price change  $= (12 - 10) / 10 \times 100\% = 20\%$ . Percentage quantity change  $= (90 - 100) / 100 \times 100\% = -10\%$ .  $PED = \% \Delta Q_d / \% \Delta P = -10\% / 20\% = -.5$ , dimensionless. Revenue initially  $= 10 \times 100 = 1,000$  units; finally  $= 12 \times 90 = 1,080$  units.

Demand is inelastic over this change under this convention.

## Equilibrium, elasticity and intervention: your transfer

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Advertising changes while price rises and sales fall. Can the observed ratio identify PED on one demand curve?

Pause and give an individual answer with reasons.

## Equilibrium, elasticity and intervention: transfer review

### Equilibrium, elasticity and intervention: transfer review

Advertising can shift demand, so the two observations may not lie on the same curve. The percentage ratio is arithmetic but cannot isolate the own-price response without other determinants controlled or accounted for.

Explain the movement/shift distinction.

## Externalities, public goods and fairness: method

### Externalities, public goods and fairness: method

A negative production externality makes marginal social cost exceed marginal private cost. Unregulated private choice can exceed the socially efficient quantity. A public good is non-rival and non-excludable; a common-access resource is rival and difficult to exclude.

These properties create different problems. Efficiency and fairness are distinct criteria.

## Market failure and equity: source representation

### **Original source / task evidence**

Task: a shared fishery is depleted, while a warning signal is available to everyone. Compare the problems and evaluate one fishery policy.

Separate what is stated from the interpretation.  
Externalities, public goods and fairness

Original fictional task source; not an authentic selected work.

## Externalities, public goods and fairness: worked case

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Task: a shared fishery is depleted, while a warning signal is available to everyone.  
Compare the problems and evaluate one fishery policy.

Identify the evidence before reading the model.

## Externalities, public goods and fairness: reasoning

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Catch removes fish available to others, so the resource is rival; weak exclusion can encourage overuse. A broadcast warning can be non-rival and hard to exclude, creating financing/free-rider issues.

A monitored catch limit can reduce depletion but requires enforceability and affects livelihoods. Assess ecological evidence, compliance and distribution; a price or quantity instrument is not automatically fair.

## Externalities, public goods and fairness: your transfer

### Externalities, public goods and fairness: your transfer

A fishing subsidy lowers private costs without catch controls. Predict a risk and evaluate a condition for use.

Pause and give an individual answer with reasons.

## Externalities, public goods and fairness: transfer review

### Externalities, public goods and fairness: transfer review

Lower private costs can increase effort and catch, worsening common-resource depletion. Sustainable stock evidence, enforceable limits and livelihood effects are relevant conditions.

Do not infer that every subsidy has the same effect; specify its mechanism and design.

## Macroeconomic measures and policy: method

### Macroeconomic measures and policy: method

Nominal output includes price changes; real output adjusts for prices; per-capita output divides by population. AD combines consumption, investment, government spending and net exports. Expansion can raise output and/or prices depending on spare capacity, expectations and supply conditions.

Demand-side and supply-side policies operate through different mechanisms and time horizons.

# Macroeconomic activity, objectives and policy: source representation

## **Original source / task evidence**

Task: nominal GDP rises 8%, the GDP deflator rises 5%, and population rises 2%.  
Estimate real and real-per-capita growth, then qualify a spending stimulus.

Separate what is stated from the interpretation.  
Macroeconomic measures and policy

Original fictional task source; not an authentic selected work.

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## Macroeconomic measures and policy: reasoning

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Real growth factor =  $1.08/1.05 = 1.02857$ , so real growth  $\approx 2.86\%$ . Per-capita real factor =  $(1.08/1.05)/1.02 = 1.00840$ , so growth  $\approx .84\%$ . An approximation of  $8-5-2=1\%$  is rougher. A stimulus can shift AD right, increasing output with spare capacity; near capacity, inflation/import leakage may dominate.

Consider financing, distribution and supply bottlenecks.

## Macroeconomic measures and policy: your transfer

### Macroeconomic measures and policy: your transfer

Real GDP per person increases. Does this establish lower inequality and environmental improvement?

Pause and give an individual answer with reasons.

## Macroeconomic measures and policy: transfer review

### Macroeconomic measures and policy: transfer review

It is an average output measure, not a distribution or environmental index. Compare income shares, poverty measures and relevant environmental indicators separately.

Higher average output may provide resources for improvement but does not establish their use or equal benefit.

## Global economy and policy synthesis: method

### Global economy and policy synthesis: method

Trade can increase specialization and choice while redistributing gains and losses.  
Tariffs, exchange rates and development policies act through different channels.

Evaluate a named policy with stakeholders, time and constraints rather than a list of advantages.

## Global economy and development: source representation

### **Original source / task evidence**

Task: a fictional import tariff raises input costs for domestic assemblers while protecting an input producer. Evaluate keeping it and propose evidence for a review.

Separate what is stated from the interpretation.  
Global economy and policy synthesis

Original fictional task source; not an authentic selected work.

## Global economy and policy synthesis: worked case

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Task: a fictional import tariff raises input costs for domestic assemblers while protecting an input producer. Evaluate keeping it and propose evidence for a review. Identify the evidence before reading the model.

## Global economy and policy synthesis: reasoning

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The protected producer may expand, but assemblers face higher costs, consumers may pay more and exporters may lose competitiveness. Consider supply responsiveness, employment adjustment, revenue, retaliation and feasible alternatives.

A temporary training or adjustment policy has its own costs and delivery risks. Review quantities, prices, employment and distribution before judging net benefit.

## Global economy and policy synthesis: your transfer

### Global economy and policy synthesis: your transfer

Currency depreciation occurs but import spending initially rises. Explain a possible mechanism.

Pause and give an individual answer with reasons.

## Global economy and policy synthesis: transfer review

### Global economy and policy synthesis: transfer review

Foreign-currency imports become more expensive in domestic currency while quantities may adjust slowly because of contracts and limited substitutes.

Export and import demand responses and timing determine the later trade-balance effect. Depreciation does not guarantee immediate improvement.

## Check yourself

### Independent retrieval

A subsidy increases output but uses a limited public budget. Explain a mechanism, opportunity cost and condition that could reverse your recommendation.

Write your reasoning before comparing it with the methods and limits taught in this lesson.