

Summary

1.1 What is Economics?

Subject	Year	Start date	Duration
Economics	IB1	Week 1, September	1 week 2 hours

Course Part

Unit 1. Introduction to Economics

Description

By the end of this subtopic **1.1 What is economics?**, you should be able to:

- Define the following terms: social science, economics, microeconomics, macroeconomics, goods, services, resources, factors of production, land, labour, capital, entrepreneurship, scarcity, needs, wants, opportunity cost, economic goods, free goods, economic systems, free market economy, centrally planned economy, models, production possibility curve, efficiency, actual output, actual growth, potential output, potential growth, capital goods, consumer goods, economic growth, leakages, injections, imports, exports, savings, investment, taxes, government expenditure, consumer expenditure.
- Understand the social nature of economics.
- Explain what is meant by each of the nine key concepts of the subject: scarcity, choice, efficiency, equity, economic well-being, sustainability, change, interdependence and intervention.
- Give examples of, and distinguish between, goods and services, needs and wants, economic goods and free goods.
- Explain the problem of scarcity and choice.
- Describe and give examples of the factors of production: land, labour, capital and entrepreneurship.
- Explain the concept of opportunity cost and its relationship with scarcity and choice.
- Explain the basic economic questions: *what to produce?*, *how to produce?* and *for whom to produce?*
- Distinguish between different rationing systems: the free market economy and the centrally planned economy.
- Use the production possibility curve to illustrate and explain choice, opportunity cost, efficiency, unemployment of resources, actual growth and potential growth.
- Explain the form of the production possibility curve in reference to increasing and constant opportunity costs.
- Use models to explain economics concepts and relationships between economic agents.
- Understand the assumptions and the implications of both versions of the circular flow of income: the two-sector model and the five-sector model.
- Explain the interdependence between decision-makers interacting and making choices in an economy: households, firms, government, financial institutions and foreign countries.
- Understand the concepts of leakages and injections, and the relationship between them.

Inquiry & Purpose

? Inquiry / Higher Order Questions

Type	Inquiry Questions
Skills-based	How realistic are economic models? How can we know what to include or exclude in a model?
Skills-based	What assumptions do economists make when they apply economic theories to the real world?

Curriculum

Aims

The aims of all subjects in individuals and societies are to:

develop in the student the capacity to identify, analyse critically and evaluate theories, concepts and arguments about the nature and activities of the individual and society

Objectives

Demonstrate knowledge and understanding of specified content

demonstrate knowledge and understanding of current economic issues and data

Syllabus Content

Unit 1: Introduction to economics

Conceptual understandings

Economics is a social science characterized by interdependence, which focuses on how people interact with each other to improve their economic well-being, influenced and enabled by their values and their natural surroundings.

The economic world is dynamic in nature and constantly subject to change.

Economic theories are based on logic and empirical data, using models to represent and analyse this complex reality. Individual and collective motivations and behaviours are complex and diverse, and their understanding entails the interaction of a variety of disciplines such as philosophy, politics, history, and psychology.

Economic decision-making impacts the relative economic well-being of individuals and societies.

The central problems of economics are scarcity and choice. This forces societies to face trade-offs, opportunity costs and the challenge of sustainability.

Debates exist in economics regarding the potential conflicts between economic growth and equity and between free markets and government intervention.

Endless economic growth, based on the consumption of finite resources, cannot continue indefinitely. New economic models and social movements have challenged mainstream opinion about the purpose of growth and how the economy could be redesigned to support long-term prosperity.

Key concepts: scarcity, choice, efficiency, equity, economic well-being, sustainability, change, interdependence, intervention.

1.1 What is economics?

Economics as a social science

The social nature of economics

The basis of the study of economics: microeconomics and macroeconomics

Introduction to the nine central concepts: scarcity, choice, efficiency, equity, economic well-being, sustainability, change, interdependence, intervention

The problem of choice

Factors of production—land, labour, capital and entrepreneurship

Scarcity

Unlimited human needs and wants to be met by limited resources

Scarcity and sustainability

Opportunity cost

The cost of choice

Free goods

The basic economic questions

What/how much to produce, how to produce and for whom to produce?

Means of answering the economic questions

Market versus government intervention

Economic systems: free market economy, planned economy and mixed economy

The production possibilities curve model (PPC)

Assumptions of the model

Increasing versus constant opportunity cost

Features of the model: opportunity cost, scarcity, choice, unemployment of resources, efficiency, actual growth and growth in production possibilities

Diagram: PPC illustrating choice and opportunity cost, unemployment of resources, actual growth and growth in production possibilities

Diagram: PPC showing increasing versus constant opportunity cost

Modelling the economy

The circular flow of income model

Interdependence between economic decision-makers interacting and making choices in an economy: households, firms, the government, the banks and financial sector, and the foreign sector (foreign firms and households)

Leakages and injections

Diagram: circular flow of income model, with leakages and injections

Concepts

scarcity, choice, efficiency, equity, economic well-being, sustainability, change, interdependence, intervention.

IB DP 12 EC 1 Group 3 (IB1)

ATL Skills

Approaches to Learning



Thinking

- In this unit, we will
reward a new personal understanding, solution or approach to an issue



Research

- In this unit, we will
assign a task that required students to use the library

Developing IB Learners

Learner Profile



Inquirers