

## Summary

### 3.3 Macroeconomic objectives - Potential conflict between macroeconomic objectives:

Subject	Year	Start date	Duration
Economics	IB2	Week 4, October	1 week 3 hours

#### Course Part

Macroeconomics

#### Description

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#### **Potential conflict between macroeconomic objectives:**

- Discuss the trade-off between unemployment and inflation.
- Construct a weighted price index, using a set of data.
- Explain, using a diagram, how the short-run Phillips curve may shift outwards, resulting in stagflation (caused by a decrease in SRAS due to factors including supply shocks).
- Discuss, using a short-run Phillips curve diagram, the view that there is a possible trade-off between the unemployment rate and the inflation rate in the short run.
- Discuss, using a diagram, the view that there is a long-run Phillips curve that is vertical at the natural rate of unemployment, and therefore there is no trade-off between the unemployment rate and the inflation rate in the long run.

## Inquiry & Purpose

### ? Inquiry / Higher Order Questions

#### Type

#### Inquiry Questions

Skills-based

The cause of trade-offs between economic growth and sustainable development and how these might be addressed.

## Curriculum

### ◇ Objectives

#### **Synthesis and evaluation (AO3)**

Discuss and evaluate economic information and theories

HL only: demonstrate economic synthesis and evaluation of the extension topics

### 📖 Syllabus Content

#### **Unit 3: Macroeconomics**

Real-world issue 1 - Why does economic activity vary over time and why does this matter?

### 3.3 Macroeconomic objectives

Potential conflict between macroeconomic objectives

Low unemployment and low inflation

Trade-off between unemployment and inflation (HL only)

Short-run and long-run Phillips curve

Diagram (HL only): AD/AS curves

Diagram (HL only): Phillips curve showing the short-run and long-run relationship between inflation and unemployment

High economic growth and low inflation

High economic growth and environmental sustainability

High economic growth and equity in income distribution

#### Concepts

**Change** in the conditions of the demand and supply sides of the economy cause economic activity to vary over time.

- Fluctuations in economic activity impact the **economic well-being** of individuals and societies.

#### ATL Skills

##### Approaches to Learning



##### Social

- In this unit, we will provide opportunities for students to make decisions



##### Communication

- In this unit, we will ask students to formulate arguments clearly and coherently



#### Developing IB Learners

##### Learner Profile



Communicators

IB DP IB Economics Group 3 (IB2)



Reflective