



# IB ECONOMICS REVISION CHECKLIST

TOPIC	😊	😐	😞
<b>UNIT 1 INTRODUCTION TO ECONOMICS</b>			
Definitions of social science and economics			
• Definitions of microeconomics and macroeconomics			
• Definitions of growth, development, and sustainable development			
• Positive and normative concepts			
• <i>Ceteris paribus</i>			
• Scarcity			
• factors of production: land, labour, capital and management/entrepreneurship			
• payments to factors of production: rent, wages, interest, profit			
• Choice			
• utility: basic definition			
• opportunity cost			
• free and economic goods			
• production possibility curves: definition			
• diagrams showing opportunity cost, actual and potential output			
• diagrams showing economic growth and economic development			
• 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			
<b>UNIT 2 MICROECONOMICS</b>			
<b>2.1 Markets</b>			
• 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			
<b>Demand</b>			
• 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			
• Exceptions to the law of demand (the upward-sloping demand curve)			
• ostentatious (Veblen) goods			
• role of expectations			
• Giffen goods			
<b>Supply</b>			
• 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			
<b>Interaction of demand and supply</b>			
• Equilibrium market clearing price and quantity			
• Diagrammatic analysis of changes in demand and supply to show the adjustment to a new equilibrium			
<b>Price controls</b>			
• Maximum price: causes and consequences			
• Minimum price: causes and consequences			
• Price support/buffer stock schemes			



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• Commodity agreements			
<b>2.2 Elasticities</b>			
<b>Price elasticity of demand (PED)</b>			
• Formula			
• 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			
<b>Cross-elasticity of demand</b>			
• Definition			
• Formula			
• Significance of sign with respect to complements and substitutes			
<b>Income elasticity of demand</b>			
• Definition			
• Formula			
• Normal goods			
• Inferior goods			
<b>Price elasticity of supply</b>			
• Definition			
• Formula			
• Possible range of values			
• Diagrams illustrating the range of values of elasticity			
• Determinants of price elasticity of supply			
<b>Applications of concepts of elasticity</b>			
• PED and business decisions: the effect of price changes on total revenue			
• PED and taxation			
• Cross-elasticity of demand: relevance for firms			
• Significance of income elasticity for sectoral change (primary ♦ secondary ♦ tertiary) as economic growth occurs			
<b>Higher level extension topics</b>			
• Flat rate and <i>ad valorem</i> taxes			
• Incidence of indirect taxes and subsidies on the producer and consumer			
• Implication of elasticity of supply and demand for the incidence (burden) of taxation			
<b>2.3 Theory of the firm</b>			
<b>Higher level topics</b>			
<b>Cost theory</b>			
• Types of costs: fixed costs, variable costs (distinction between short-run and long-run)			
• Total, average and marginal costs			
• Accounting cost + opportunity cost = economic cost			
<b>Short-run</b>			
• Law of diminishing returns			
• Total product, average product, marginal product			
• Short-run cost curves			
<b>Long-run</b>			
• Economies of scale			
• Diseconomies of scale			
• Long-run cost curves			
<b>Revenues</b>			
• Total revenue			
• Marginal revenue			
• Average revenue			
<b>Profit</b>			



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• Distinction between normal (zero) and supernormal (abnormal) profit			
• Profit maximization in terms of total revenue and total costs, and in terms of marginal revenue and marginal cost			
• Profit maximization assumed to be the main goal of firms but other goals exist (sales volume maximization, revenue maximization, environmental concerns)			
<b>Perfect competition</b>			
• Assumptions of the model			
• Demand curve facing the industry and the firm in perfect competition			
• Profit-maximizing level of output and price in the short-run and long-run			
• The possibility of abnormal profits/losses in the short-run and normal profits in the long-run			
• Shut-down price, break-even price			
• Definitions of allocative and productive (technical) efficiency			
• Efficiency in perfect competition			
<b>Monopoly</b>			
• Assumptions of the model			
• Sources of monopoly power/barriers to entry			
• Natural monopoly			
• Demand curve facing the monopolist			
• Profit-maximizing level of output			
• Advantages and disadvantages of monopoly in comparison with perfect competition			
• Efficiency in monopoly			
<b>Monopolistic competition</b>			
• Assumptions of the model			
• Short-run and long-run equilibrium			
• Product differentiation			
• Efficiency in monopolistic competition			
<b>Oligopoly</b>			
• Assumptions of the model			
• Collusive and non-collusive oligopoly			
• Cartels			
• Kinked demand curve as one model to describe interdependent behaviour			
• Importance of non-price competition			
• Theory of contestable markets			
<b>Price discrimination</b>			
• Definition			
• Reasons for price discrimination			
• Necessary conditions for the practice of price discrimination			
• Possible advantages to either the producer or the consumer			
<b>2.4 Market failure</b>			
<b>Reasons for market failure</b>			
• Positive and negative externalities, with appropriate diagrams			
• Short-term and long-term environmental concerns, with reference to sustainable development			
• Lack of public goods			
• Underprovision of merit goods			
• Overprovision of demerit goods			
• Abuse of monopoly power			
<b>Possible government responses</b>			
• Legislation			
• Direct provision of merit and public goods			
• Taxation			
• Subsidies			
• Tradable permits			
• Extension of property rights			



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• Advertising to encourage or discourage consumption			
• International cooperation among governments			
<b>UNIT 3 MACROECONOMICS</b>			
<b>3.1 Measuring national income</b>			
• Circular flow of income			
• Methods of measurement—income, expenditure and output			
• Distinction between:			
• gross and net			
• national and domestic			
• nominal and real			
• total and <i>per capita</i>			
<b>3.2 Introduction to development</b>			
• Definitions of economic growth and economic development			
• Differences in the definitions of the two concepts			
• Gross Domestic Product (GDP) versus Gross National Product (GNP) as measures of growth			
• Limitations of using GDP as a measure to compare welfare between countries			
• Allowance for differences in purchasing power when comparing welfare between countries			
• Alternative methods of measurement			
• Problems of measuring development			
<b>3.3 Macroeconomic models</b>			
• Aggregate demand—components			
• Aggregate supply			
• short-run			
• long-run (Keynesian versus neo-classical approach)			
• Full employment level of national income			
• Equilibrium level of national income			
• Inflationary gap			
• Deflationary gap			
• Diagram illustrating trade/business cycle			
<b>3.4 Demand-side and supply-side policies</b>			
• Shifts in the aggregate demand curve/demand-side policies			
• fiscal policy			
• interest rates as a tool of monetary policy			
• Shifts in the aggregate supply curve/supply-side policies			
• Strengths and weaknesses of these policies			
<b>Higher level extension topics</b>			
• Multiplier			
• calculation of multiplier			
• Accelerator			
• “Crowding out”			
<b>3.5 Unemployment and inflation</b>			
<b>Unemployment</b>			
• Full employment and underemployment			
• Unemployment rate			
• Costs of unemployment			
• Types of unemployment			
• structural			
• frictional			
• seasonal			
• cyclical/demand-deficient			
• real wage			
• Measures to deal with unemployment			



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<b>Inflation</b>			
• Definitions of inflation and deflation			
• Costs of inflation and deflation			
• Causes of inflation			
• cost push			
• demand pull			
• excess monetary growth			
<b>Higher level extension topics</b>			
• Methods of measuring inflation			
• Problems of the methods of measuring inflation			
• Phillips curve			
• short-run			
• long-run			
• Natural rate of unemployment			
• Non-Accelerating Inflation Rate of Unemployment (NAIRU)			
<b>3.6 Distribution of income</b>			
• Direct taxation			
• Indirect taxation			
• Progressive taxation			
• Proportional taxation			
• Regressive taxation			
• Transfer payments			
<b>Higher level extension topics</b>			
• Laffer curve			
• Lorenz curve and Gini coefficient			
<b>UNIT 4 INTERNATIONAL ECONOMICS</b>			
<b>4.1 Reasons for trade</b>			
• Differences in factor endowments			
• Variety and quality of goods			
• Gains from specialization			
• Political			
<b>Higher level extension topic</b>			
• Absolute and comparative advantage (numerical and diagrammatic representations)			
• opportunity cost			
• limitations of the theory of comparative advantage			
<b>4.2 Free trade and protectionism</b>			
<b>Definition of free trade</b>			
<b>Types of protectionism</b>			
• Tariffs			
• Quotas			
• Subsidies			
• Voluntary Export Restraints (VERs)			
• Administrative obstacles			
• Health and safety standards			
• Environmental standards			
<b>Arguments for protectionism</b>			
• Infant industry argument			
• Efforts of a developing country to diversify			
• Protection of employment			
• Source of government revenue			
• Strategic arguments			
• Means to overcome a balance of payments disequilibrium			



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• Anti-dumping			
Arguments against protectionism			
• Inefficiency of resource allocation			
• Costs of long-run reliance on protectionist methods			
• Increased prices of goods and services to consumers			
• The cost effect of protected imports on export competitiveness			
4.3 Economic integration			
Globalization			
Trading blocs			
• Free trade areas (FTAs)			
• Customs unions			
• Common markets			
Higher level extension topics			
• Trade creation and trade diversion			
• Obstacles to achieving integration			
• reluctance to surrender political sovereignty			
• reluctance to surrender economic sovereignty			
4.4 World Trade Organization (WTO)			
• Aims			
• Success and failure viewed from different perspectives			
4.5 Balance of payments			
• Current account			
• balance of trade			
• invisible balance			
• Capital account			
4.6 Exchange rates			
• Fixed exchange rates			
• Floating exchange rates			
• Managed exchange rates			
• Distinction between			
• depreciation and devaluation			
• appreciation and revaluation			
• Effects on exchange rates of			
• trade flow			
• capital flows/interest rate changes			
• inflation			
• speculation			
• use of foreign currency reserves			
Higher level extension topics			
• Relative advantages and disadvantages of fixed and floating rates			
• Advantages and disadvantages of single currencies/monetary integration			
• Purchasing power parity theory (PPP)			
4.7 Balance of payment problems			
• Consequences of a current account deficit or surplus			
• Methods of correction			
• managed changes in exchange rates			
• reduction in aggregate demand/expenditure-reducing policies			
• change in supply-side policies to increase competitiveness			
• protectionism/expenditure-switching policies			
• Consequences of a capital account deficit or surplus			
Higher level extension topics			
• Marshall-Lerner condition			
• J-curve			



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<b>4.8 Terms of trade</b>			
• Definition of terms of trade			
• Consequences of a change in the terms of trade for a country's balance of payments and domestic economy			
• The significance of deteriorating terms of trade for developing countries			
<b>Higher level extension topics</b>			
• Measurement of terms of trade			
• Causes of changes in a country's terms of trade in the short-run and long-run			
• Elasticity of demand for imports and exports			
<b>UNIT 5 DEVELOPMENT ECONOMICS</b>			
<b>5.1 Sources of economic growth and/or development</b>			
• Natural factors: the quantity and/or quality of land or raw materials			
• Human factors: the quantity and/or quality of human resources			
• Physical capital and technological factors: the quantity and/or quality of physical capital			
• Institutional factors that contribute to development			
• banking system			
• education system			
• health care			
• infrastructure			
• political stability			
<b>5.2 Consequences of growth</b>			
• Externalities			
• Income distribution			
• Sustainability			
<b>5.3 Barriers to economic growth and/or development</b>			
• Poverty cycle: low incomes * low savings * low investment * low incomes			
• Institutional and political factors			
• ineffective taxation structure			
• lack of property rights			
• political instability			
• corruption			
• unequal distribution of income			
• formal and informal markets			
• lack of infrastructure			
• International trade barriers			
• overdependence on primary products			
• consequences of adverse terms of trade			
• consequences of a narrow range of exports			
• protectionism in international trade			
• International financial barriers			
• indebtedness			
• non-convertible currencies			
• capital flight			
• Social and cultural factors acting as barriers			
• religion			
• culture			
• tradition			
• gender issues			
<b>5.4 Growth and development strategies</b>			
• Harrod-Domar growth model			
• Structural change/dual sector model			
• Types of aid			



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• bilateral, multilateral			
• grant aid, soft loans			
• official aid			
• tied aid			
• Export-led growth/outward-oriented strategies			
• Import substitution/inward-oriented strategies/protectionism			
• Commercial loans			
• Fair trade organizations			
• Micro-credit schemes			
• Foreign direct investment			
• Sustainable development			
5.5 Evaluation of growth and development strategies			
• Evaluation of the following in terms of achieving growth and/or development			
• aid and trade			
• market-led and interventionist strategies			
• The role of international financial institutions			
• the International Monetary Fund (IMF)			
• the World Bank			
• private sector banks			
• non-governmental organizations (NGOs)			
• multinational corporations/transnational corporations (MNCs/TNCs)			
• commodity agreements			

**HAPPY REVISION**

PLEASE NOTE: THIS REVISION CHECKLIST AS PER THE IB ECONOMICS SYLLABUS 2005 [LAST EXAM 2012]