<table>
<thead>
<tr>
<th>Week</th>
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<th>RESOURCES:</th>
<th>PERSONALISED LEARNING</th>
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<tr>
<td></td>
<td><strong>Aims and Objectives</strong></td>
<td><strong>TEACHING ACTIVITIES:</strong> How topic is delivered in the classroom?</td>
<td><strong>DIFFERENT LEARNING NEEDS:</strong> Worksheets, Groupwork, self assessment, visual, mind maps</td>
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<td></td>
<td>At the end of the week, students should be able to know and understand:</td>
<td>Introduction session: Scheme of work and syllabus outline distributed; Assessment programme outlined (grade descriptors and grade boundaries introduced); Introductory tracking forms completed PowerPoint presentation outlining course details</td>
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<td></td>
<td><strong>The Foundations of Economics: Economics as a Social Science</strong></td>
<td>Introduction task: “How suited are you to Economics?” (individual quiz)</td>
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<tr>
<td>Week 34</td>
<td><strong>Explain that economics is a Social Science</strong></td>
<td><strong>ECC Chapter 1</strong></td>
<td><strong>IB LEARNER PROFILE:</strong> inquirers: to develop a natural curiosity for the subject, research</td>
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<td></td>
<td>• Explain the process of model building in economics</td>
<td>PowerPoint: Economics IB Course Details</td>
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<td></td>
<td>• Explain that economists must use the ceteris paribus assumption when</td>
<td>Powerpoint: Foundations of economics (Important Economic Terms), <strong>Lesson 1</strong></td>
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<td></td>
<td>developing economic models</td>
<td><strong>LINKS TO TOK/CAS:</strong></td>
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<td></td>
<td>• Distinguish between positive and normative economics</td>
<td>What distinguishes a social science from a natural Science? Are Economic theories independent of Culture? What is the role of emotion and creativity in Economics? What are the implications of assumption of ceteris paribus?</td>
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<td>• Examine the assumption of rational economic decision-making</td>
<td><strong>ECC Chapter 1 pp 2-15</strong></td>
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<td><strong>KEY WORDS:</strong> Economics, Social Science, Ceteris Paribus, Positive Economics, Normative Economy</td>
<td><strong>HOMEWORK:</strong> study guide 1</td>
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<td><strong>Glossary</strong></td>
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<td><strong>The Foundations of Economics: Scarcity</strong></td>
<td><strong>PowerPoint: Lesson 1 and Lesson 2 Foundations of economics</strong></td>
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<tr>
<td>Week 34</td>
<td><strong>Explain that scarcity exists because factors of production are finite and wants are infinite</strong></td>
<td><strong>HOMEWORK:</strong> study guide 1</td>
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<td></td>
<td>• Explain that economics studies the way in which resources are allocated to meet needs and wants</td>
<td><strong>Introduction</strong></td>
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<td>• Explain that the three basic questions that must be answered by any economic system are: “What to produce?”, “How to produce?” and “For whom to produce”</td>
<td><strong>Group assignment with oral presentation</strong></td>
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<td></td>
<td><strong>KEY WORDS:</strong> Scarcity, finite, infinite, factors of production (land, labour, capital, enterprise),</td>
<td><strong>“Innovation”</strong></td>
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<td><strong>Who is the most innovative entrepreneur in this class?</strong></td>
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<td><strong>Continuing The Foundations of Economics: Choice and Opportunity Cost</strong></td>
<td><strong>Who will think of the next big thing?</strong></td>
<td><strong>ECC Chapter 1 pp 2-9</strong></td>
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<td><strong>At the end of the week, students should be able to:</strong></td>
<td><strong>What is the next big thing?</strong></td>
<td><strong>Diary booklet</strong></td>
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<tr>
<td>• Explain that as a result of scarcity, choices have to be made</td>
<td></td>
<td><strong>And Flash cards /Frontier</strong></td>
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<td>• Explain that when an economic choice is made, an alternative is always foregone</td>
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<td><strong><a href="http://www.dineshbakshi.com/">http://www.dineshbakshi.com/</a></strong></td>
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<td>• Explain that a production possibilities curve (/frontier) model may be used to show the concepts of scarcity, choice, opportunity cost and a situation of unemployed resources and inefficiency</td>
<td></td>
<td><strong>Mindmap, crossword, Gap Fill, power-point</strong></td>
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<td><strong>KEY WORDS: PPF; potential output; actual output; potential economic growth; actual economic growth; economic decline; opportunity cost; inefficiency</strong></td>
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<td><strong>Glossary</strong></td>
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<td><strong>Students must draw individual PPF diagrams.</strong></td>
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<td><strong>Extra task: opportunity cost and PPF diagram (more complex theory area). PRODUCE THEIR OWN MIND MAP OF TOPICS COVERED SO FAR IN CLASS.</strong></td>
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</tbody>
</table>

**Watch Mjmfoodie for extra**

Episode 2 Scarcity and Choice  
(http://www.youtube.com/user/mjmfoodie#p/u/65/eivSr8BcPLY)

Episode 3: Resources  
(http://www.youtube.com/user/mjmfoodie#p/u/64/efSttefJiwQ)

Here is great example of factors of production at work in the mining industry from BBC  
(http://www.bbc.co.uk/news/business-23143585)

**Watch mjmfoodie:**

Episode 6 Graph Review:  
(http://www.youtube.com/user/mjmfoodie#p/u/81/uvnHPeErk0E)

Episode 7: Individual PPC  
(http://www.youtube.com/user/mjmfoodie#p/u/80/JCEWO_cafUs)

Episode 8: Opportunity Cost  
(http://www.youtube.com/user/mjmfoodie#p/u/63/PSU- n81QT0)

Episode 10 PPC and resource changes:  
(http://www.youtube.com/user/mjmfoodie#p/u/45/6LiuLAu-KNs)
### The Foundations of Economics: Central themes
- Explain that the economics course will focus on several themes, which include:
  - The extent to which governments should intervene in the allocation of resources (economic systems)
  - The threat to sustainability as a result of the current patterns of resource allocation
  - The extent to which the goal of economic efficiency may conflict with the goal of equity
  - The distinction between economic growth and development

**KEY WORDS:** the free market; price mechanism; planned/command economic system; mixed economic system; public sector; private sector; privatisation; nationalisation; economic growth; economic development; sustainable development

### Study guide
**Workpoint 1.2,**
**Group assignment 1.3**
Prepare a keynote of 3-5 slides; with an overview of the transition economy of your choice, outlining the challenges, obstacles, successes and failures of the transition from a command to market system.

**ECC Chapter 1 pp 9-15**
PowerPoint: Rationing Systems, Lesson 3

Oral presentation of Innovation with peer review

**IB LEARNER PROFILE:**
Caring about the world’s future
Reflective: thoughtful consideration to their own learning

### Week 36
**TOPIC OUTLINE**
**Aims and Objectives**
At the end of the week, students should be able to know and understand:

**SYLLABUS/SUBJECT:**

**TEACHING ACTIVITIES:**
How topic is delivered in the classroom?

**RESOURCES:**
Websites, text books refs, worksheets, ppt & homework

**DIFFERENT LEARNING NEEDS:**
Worksheets, Groupwork, self assessment, visual, mind maps

### Section 1.1
**Competitive markets:** demand and supply

**Markets**
*The nature of markets*
- Outline the meaning of the term market

**Demand**
*The law of demand*
- Explain the negative causal relationship between price and quantity demanded
- Describe the relationship between an

**LINKS TO TOK/CAS:**
To what extent is it true to say that a demand curve is a fictional identity? What assumptions underlie law of demand? Are these assumptions likely to be true?

**ECC Chapter 2**
Pp 18-24

**Handout:**
- Markets and Market Structures
- Demand (Determinants,
### IB Economics Scheme of Work for Micro
#### Textbook: Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

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<td>Aims and Objectives</td>
<td>Teaching Activities:</td>
<td>Resources:</td>
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<td></td>
<td>At the end of the week, students should be able to know and understand:</td>
<td>How topic is delivered in the classroom?</td>
<td>Websites, text books refs, worksheets, ppt &amp; homework</td>
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<td>Week continued</td>
<td><strong>Movements along and shifts of the demand curve</strong></td>
<td>Watch mjmmfoodie: Graph Review: <a href="http://www.youtube.com/user/mjmmfoodie#p/u/81/uvnHPeQrk0E">http://www.youtube.com/user/mjmmfoodie#p/u/81/uvnHPeQrk0E</a> Market Prologue <a href="http://www.youtube.com/user/mjmmfoodie#p/u/62/3shDwU-Y8G4">http://www.youtube.com/user/mjmmfoodie#p/u/62/3shDwU-Y8G4</a> Episode 11: Demand</td>
<td><strong>HOMEWORK:</strong> All students complete Data Response Exercise page 34 and extra Data Response &quot;The Record Market&quot; ECC Chapter 2 Pp 25-27</td>
</tr>
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**The demand curve**
- Explain that a demand curve represents the relationship between the price and the quantity demanded of a product, *ceteris paribus*
- Draw a demand curve

**Textbook Discussion point page 23 (Conspicuous consumption)**
- Pairwork task: Match up the ‘type of market’ with the various characteristics of that market structure
- Individual activity: THE SNICKERS EFFECT

**function, schedule and curve**
- Worksheet: THE SNICKERS EFFECT
- PowerPoint Presentation with activity booklet: Determinants of demand and supply (Part One: movements and shifts in demand curve)

**Changes in demand vs Change in Qd**
- [http://www.youtube.com/user/mjmmfoodie#p/u/62/3shDwU-Y8G4](http://www.youtube.com/user/mjmmfoodie#p/u/62/3shDwU-Y8G4)

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**Week continued**

**Movements along and shifts of the demand curve**
- Distinguish between movements along the demand curve and shifts of the demand curve
- Draw diagrams to show the difference between movements along the demand curve and shifts

**Textbook Discussion point page 23 (Conspicuous consumption)**
- Pairwork task: Match up the ‘type of market’ with the various characteristics of that market structure
- Individual activity: THE SNICKERS EFFECT

**function, schedule and curve**
- Worksheet: THE SNICKERS EFFECT
- PowerPoint Presentation with activity booklet: Determinants of demand and supply (Part One: movements and shifts in demand curve)

**Changes in demand vs Change in Qd**
- [http://www.youtube.com/user/mjmmfoodie#p/u/22/uXIzn6W7Ew](http://www.youtube.com/user/mjmmfoodie#p/u/22/uXIzn6W7Ew)

**All students complete Data Response "The Record Market"**

With ‘The Snickers Effect’ task. Students to consider the discussion questions at the back of the booklet. Assigned GROUP LEADER task and instructed to lead discussions and provide feedback.
**IB Economics Scheme of Work for Micro**

**Textbook:** Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

**KEY WORDS:** market, demand, utility, revenue, causal, negative correlation, determinants of demand, real income, normal goods, inferior goods, consumer substitutes, complements, demographic

**HL LESSON:**
*Linear demand functions (equations), demand schedules and graphs*

- Explain a demand function (equation) of the form $Q_d = a - bP$
- Plot a demand curve from a linear function (e.g. $Q_d = 60 - 5P$)
- Identify the slope of a demand curve as the slope of the demand function $Q_d = a - bP$, that is $-b$ (the coefficient of $P$)
- Outline why, if the “$a$” term changes, there will be a shift of the demand curve
- Outline how a change in “$b$” affects the steepness of the demand curve

**http://www.youtube.com/user/mjmfodie#p/u/61/OX-J_8y4qns**
Episode 12: Change in demand vs change in $Q_d$

**http://www.youtube.com/user/mjmfoodie#p/u/59/B-IXXB64L3M**
Calculation worksheet completed in class
Students use graph paper to draw demand curves from demand schedules

Complete student workpoint 2.4 in class (complete in full for homework and kept in ‘Mathematical Applications’ file)

**Workbook with examples**
***workbook also provided with KEY WORD definitions and focused questions***

**IB LEARNER PROFILE:**
- thinker: calculate, illustrate and explain

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<td>Aims and Objectives</td>
<td>How topic is delivered in the classroom?</td>
<td>RESOURCES: Websites, text books refs, worksheets, ppt &amp; homework</td>
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<td>At the end of the week, students should be able to know and understand:</td>
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<td>DIFFERENT LEARNING NEEDS: Worksheets, Groupwork, self assessment, visual, mind maps</td>
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<td></td>
<td><strong>Supply</strong></td>
<td><strong>ECC</strong></td>
<td><strong>IB LEARNER PROFILE:</strong></td>
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<td></td>
<td><strong>The law of supply</strong></td>
<td><strong>Chapter 2 pp 27-30</strong></td>
<td>thinker: make reasoned decisions</td>
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<td></td>
<td>• Explain the positive causal relationship between price and quantity supplied</td>
<td>Handout: Supply PowerPoint: Section 2.1 Determinants of demand and supply Part Two (movements and shifts in Supply Curve)</td>
<td>thinker: illustrate and explain</td>
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<td></td>
<td>• Describe the relationship between an individual producer's supply and market supply</td>
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<td><strong>The supply curve</strong></td>
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<td></td>
<td>• Explain that a supply curve represents the relationship between the price and</td>
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<tr>
<td>Section 1.1</td>
<td>Competitive markets: demand and Supply</td>
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<td>LINKS TO TOK/CAS: Does it matter if assumptions for law of demand/supply are actually false?</td>
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<td>Students produce various diagrams representing theory – complete workbook which accompanies ppt</td>
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</table>
### Movements along and shifts of the supply curve

- Distinguish between movements along the supply curve and shifts of the supply curve
- Construct diagrams to show the difference between movements along the supply curve and shifts

**KEY WORDS:** supply, positive correlation, causal, supply schedule, profit, producer substitutes, competitive supply, joint supply, indirect tax, subsidy, legislation

**HL LESSON:**
*Linear supply functions (equations), supply schedules and graphs*

### LINKS TO TOK/CAS:

- Textbook discussion point Page 33 (Utilitarianism)

### HOMEWORK:
- Read chapter 3 in textbook and complete student workpoints 3.1 and 3.2 (page 37)

### IB LEARNER PROFILE:
- Thinker: calculate, illustrate and explain
**IB Economics Scheme of Work for Micro**  
Textbook: Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

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<td><strong>Aims and Objectives</strong></td>
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</table>
|      | At the end of the week, students should be able to know and understand: | Calculation worksheet completed in class  
Students use graph paper to draw supply curves from supply functions  
Complete student workpoint 2.4 in class (complete in full for homework and kept in 'Mathematical Applications' file) | Websites, text books refs, worksheets, ppt & homework | Websites, Groupwork, self assessment, visual, mind maps |

| Section 1.1 | Competitive markets: demand and supply | **Market Equilibrium** | **Equilibrium and changes to equilibrium** | **The role of the price mechanism**  
**Resource Allocation** |
<p>| Section 1.1 | | Market Equilibrium | | |
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<td>incentive function, which results in a reallocation of resources when prices change as a result of a change in demand and supply conditions. KEY WORDS: market clearing price and output level; equilibrium; rationing; consumer and producer behaviour, price mechanism, signal, incentive.</td>
<td>incentive function, which results in a reallocation of resources when prices change as a result of a change in demand and supply conditions. KEY WORDS: market clearing price and output level; equilibrium; rationing; consumer and producer behaviour, price mechanism, signal, incentive.</td>
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<td>SYLLABUS/SUBJECT:</td>
<td>All students complete Data Response exercise page 44 in textbook.</td>
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<td>TEACHING ACTIVITIES:</td>
<td>PERSONALISED LEARNING</td>
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<td>Resources:</td>
<td>Worksheets, Groupwork, self assessment, visual, mind maps</td>
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<tr>
<td>Market Efficiency</td>
<td>ECC Chapter 3 pp38-39</td>
<td>All students complete A3 sheet with relevant diagrams and definitions for economic efficiency</td>
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<tr>
<td>Consumer surplus</td>
<td>‘Learn and Share’ task: students complete one diagram/theory area in full in pairs and then move around to find a different partner and share what they have learnt. All students build up theory knowledge and add detail to their workbook.</td>
<td>Mind map started in class: DEMAND, SUPPLY, EQUILIBRIUM and EFFICIENCY.</td>
</tr>
<tr>
<td>• Explain the concept of consumer surplus.</td>
<td>Powerpoint and student workbook: 'Market Efficiency'</td>
<td>Students – outline provided for mind map. They need to add detail in relevant boxes.</td>
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<td>• Identify consumer surplus on a demand and supply diagram</td>
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<td>Producer surplus</td>
<td>ECC Chapter 3 pp39-43</td>
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<td>• Explain the concept of producer surplus.</td>
<td>1. Powerpoint: examples worked through.</td>
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<tr>
<td>• Identify producer surplus on a demand and supply diagram.</td>
<td>2. Workbook: examples worked through.</td>
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<tr>
<td>Allocative Efficiency</td>
<td>Calculation worksheet completed in class</td>
<td>3. Powerpoint, using ICT to produce graphs from supply schedules. Make changes to supply functions and see what happens to the supply curve on the graph.</td>
</tr>
<tr>
<td>• Explain that the best allocation of resources from society’s point of view is at competitive market equilibrium, where social (community) surplus (consumer surplus and producer surplus) is maximized (marginal benefit = marginal cost).</td>
<td>Students use graph paper to draw various diagrams.</td>
<td>HOMEWORK: Complete student workpoint 3.3 using ICT (excel programme, etc). Email and hard copy submitted.</td>
</tr>
<tr>
<td>KEY WORDS: consumer surplus, producer surplus, community surplus, allocative.</td>
<td>Use diagram booklet to make changes to each diagram.</td>
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</table>
**Week** | **TOPIC OUTLINE** | **SYLLABUS/SUBJECT:** | **TEACHING ACTIVITIES:** | **RESOURCES:** | **PERSONALISED LEARNING** | **DIFFERENT LEARNING NEEDS:** | **IB LEARNER PROFILE:**
--- | --- | --- | --- | --- | --- | --- | ---
**Section 1.2 Elasticity** | **Price Elasticity of demand (PED)**  
*Price elasticity of demand and its determinants*  
- Explain the concept of price elasticity of demand, understanding that it involves responsiveness of quantity demanded to a change in price, along a given demand curve.  
- Calculate PED using the following equation.  
  
  \[ \text{PED} = \frac{\% \text{ change } Qd}{\% \text{ change in price}} \]  
  
  Workbook examples (elasticities) completed in class – individual task  
  
  Students in pairs, complete their assigned section of the theory booklet and then present this theory to the rest of the class  
  
  ECC  
  Chapter 4  
  Pp46-52  
  Mjmfoodie  
  Episode 16: PED  
  [http://www.youtube.com/user/mjmfoodie/p/u/19/EafTlile73ic](http://www.youtube.com/user/mjmfoodie/p/u/19/EafTlile73ic)  
  **HOMEWORK:**  
  All students complete work point 4.1 (page 48) 4.2 (page 49) 4.3 and 4.4 (page 52)  
  Complete paper 1, long essay question: page 61. Complete ALL workbook examples in class.

**efficiency, equilibrium, marginal benefit, marginal cost**

**HL LESSON:**  
*Calculating and illustrating equilibrium using linear equations*  
- Calculate the equilibrium price and equilibrium quantity from linear demand and supply functions  
- Plot demand and supply functions, and identify the equilibrium price and quantity  
- State the quantity of excess demand or excess supply in the above diagrams

**Aims and Objectives**  
At the end of the week, students should be able to know and understand:
### Week | TOPIC OUTLINE | SYLLABUS/SUBJECT: |
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<tr>
<td></td>
<td>Applications of PED</td>
<td>TEACHING ACTIVITIES:</td>
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#### Aims and Objectives
At the end of the week, students should be able to know and understand:

- State that the PED value is treated as if it were positive although its mathematical value is usually negative.
- Explain, using diagrams and PED values, the concepts of price elastic demand, price inelastic demand, unit elastic demand, perfectly elastic demand and perfectly inelastic demand.
- Explain the determinants of PED, including the number and closeness of substitutes, the degree of necessity, time and the proportion of income spent on the good.
- Calculate PED between two designated points on a demand curve using the PED equation above.
- Explain why PED varies along a straight line demand curve and is not represented by the slope of the demand curve.

####syllabus

- **Applications of PED**
  - Students in pairs, complete their assigned section of the theory booklet and then present this theory to the rest of the class

#### resources

- **ECC Chapter 4 Pp53-54**
  - Students asked to produce an ELASTICITIES MIND MAP – photocopied
| • Examine the role of PED for firms in making decisions regarding price changes and their effect on total revenue.  
• Explain why the PED for many primary commodities is relatively low and the PED for manufactured products is relatively high.  
• Examine the significance of PED for government in relation to indirect taxes | Revision quiz using mini whiteboards (definitions, calculations, what the numbers mean, etc)  
GROUPWORK TASK  
PRESENTATION – detailed handout available for theory areas, students work in groups to complete assigned task  
Students give ppt presentation in groups to rest of class – students complete activity booklets | Powerpoint and student booklet  
Student review sheet  
CROSS PRICE:  
http://tutor2u.net/economics/content/topics/elasticity/cross_elasticity.htm | and given to rest of class. |

**Cross Price Elasticity of demand (XED)**  
Cross price elasticity of demand and its determinants

| • Outline the concept of cross price elasticity of demand, understanding that it involves responsiveness of demand for one good (and hence a shifting demand curve) to a change in the price of another good.  
• Calculate XED using the following equation.  
\[
XED = \frac{\% \text{ change Qd good } x}{\% \text{ change in price good y}}
\]  
• Show that substitute goods have a positive value of XED and complementary goods have a negative value of XED. |
### IB Economics Scheme of Work for Micro

**Textbook:** Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

<table>
<thead>
<tr>
<th>Week</th>
<th>TOPIC OUTLINE</th>
<th>SYLLABUS/SUBJECT:</th>
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<tbody>
<tr>
<td></td>
<td><strong>Aims and Objectives</strong></td>
<td><strong>TEACHING ACTIVITIES:</strong></td>
</tr>
<tr>
<td></td>
<td>At the end of the week, students should be able to know and understand:</td>
<td><strong>How topic is delivered in the classroom?</strong></td>
</tr>
</tbody>
</table>

#### Applications of cross price elasticity of demand

- Explain that the (absolute) value of XED depends on the closeness of the relationship between two goods

**Applications of cross price elasticity of demand**

- Examine the implications of XED for businesses if prices of substitutes or complements change

**KEY WORDS:** responsiveness; PED; perfectly elastic; perfectly inelastic; relatively elastic; relatively inelastic; substitutes, complements, necessity, revenue box diagrams.

#### Section 1.2 Elasticity

**Income elasticity of demand (YED)**

- Outline the concept of income elasticity of demand, understanding that it involves responsiveness of demand (and hence a shifting demand curve) to a change in income.
- Calculate YED using the following equation.

**Students complete REVISION CHECKLIST Section 1.2 activity sheet**

**Students give ppt presentation in groups to rest of class – students complete activity booklets**

**All students complete Data Response Practice Question “Diamonds down by 26% - South Africa”**

**ECC Chapter 4 Pp55-56**

**INCOME:**

- [http://tutor2u.net/economics/content/topics/elasticity/income_elasticity.htm](http://tutor2u.net/economics/content/topics/elasticity/income_elasticity.htm)

**IB LEARNER PROFILE:**

- Thinker: calculate, illustrate and explain

**Standard Level Homework:** complete activity sheet provided in class this week (elasticities and application to the real world)

**HL students assigned more complex research tasks (YED and sectoral change;**

**DIFFERENT LEARNING NEEDS:**

- Worksheets, Groupwork, self assessment, visual, mind maps

**PERSONALISED LEARNING**

- Websites, text books refs, worksheets, ppt & homework
<table>
<thead>
<tr>
<th>YED = % change in Qd / % change in Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Show that normal goods have a positive value of YED and inferior goods have a negative value of YED.</td>
</tr>
<tr>
<td>• Distinguish, with reference to YED, between necessity (income inelastic) goods and luxury (income elastic) goods</td>
</tr>
</tbody>
</table>

Applications of income elasticity of demand

| • Examine the implications for producers and for the economy of a relatively low YED for primary products, a relatively higher YED for manufactured products and an even higher YED for services |

KEY WORDS: YED, normal goods, inferior goods, luxury goods, necessities, Sectoral change, trade cycle

XED and business pricing decisions
<table>
<thead>
<tr>
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<tr>
<td></td>
<td>Aims and Objectives</td>
<td>Teaching Activities: How topic is delivered in the classroom?</td>
<td>Resources: Websites, textbooks refs, worksheets, ppt &amp; homework</td>
</tr>
<tr>
<td></td>
<td>At the end of the week, students should be able to know and understand:</td>
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<tr>
<td></td>
<td><strong>Price elasticity of supply</strong></td>
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<tr>
<td></td>
<td><strong>Price elasticity of supply and its determinants</strong></td>
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<tr>
<td></td>
<td>• Explain the concept of price elasticity of supply, understanding that it involves responsiveness of quantity supplied to a change in price along a given supply curve.</td>
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</tbody>
</table>
|      | • Calculate PES using the following equation.  
  \[ PES = \frac{\% \text{ change in } Q_s}{\% \text{ change in price}} \] | | | |
|      | • Explain, using diagrams and PES values, the concepts of elastic supply, inelastic supply, unit elastic supply, perfectly elastic supply and perfectly inelastic supply. | | | |
|      | • Explain the determinants of PES, including time, mobility of factors of production, unused capacity and ability to store stocks. | | | |
|      | **Applications of price elasticity of supply** | | | |
|      | All students work through handout activity sheet. Calculate values individually and then discuss what these values mean in pairs. Complete work point 4.7 (page 58) and Examination Questions Paper 1 part (a) Q4 page 61 in class as an individual activity. Complete in full as a homework task. | | | |
|      | ECC Chapter 4 Pp56-60  
  Handout: Price Elasticity of Supply worksheet  
  PowerPoint: Price elasticities  
  [http://tutor2u.net/economics/revision-notes/as-markets-price-elasticity-of-supply.html](http://tutor2u.net/economics/revision-notes/as-markets-price-elasticity-of-supply.html)  
|      | IB LEARNER PROFILE:  
  Thinker: calculate, illustrate and explain  
  Complete detailed MIND MAP to include PED, YED, XED and PES (with determinants and applications). Copied and distributed to class. | | | |
<p>|      | All students given A3 sheet of coloured paper and use to produce a REVISION DIAGRAM SHEET FOR THIS TOPIC | | | |</p>
<table>
<thead>
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<th>Week</th>
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</thead>
</table>

**Explain why the PES for primary commodities is relatively low and the PES for manufactured products is relatively high**

**KEY WORDS:** PES; time constraints; technology, capacity, mobility of factors of production, stocks

**HL LESSON**

*Tax incidence and price elasticity of demand and supply*

- Explain, using diagrams, how the incidence of indirect taxes on consumers and firms differs, depending on the price elasticity of demand and on the price elasticity of supply.
- Plot demand and supply curves for a product from linear functions and then illustrate and/or calculate the effects of the imposition of a specific tax on the market (on price, quantity, consumer expenditure, producer revenue, government revenue, consumer surplus and producer surplus).

**KEY WORDS:** tax incidence, indirect tax, consumer expenditure, government tax revenue, producer revenue, consumer surplus, producer surplus.

**HIGHER LEVEL ONLY:**

Students complete detailed diagrams representing effect of indirect taxes on producer and consumer

*Begin Complete work point 5.1 and 5.2 in class 9 page 65 and 66*

Students use graph paper and/or Excel to plot curves and calculate effects of an indirect tax

**ECC Chapter 5**

*Pages 65-67*

**Powerpoint and student workbook:**

Indirect taxes and subsidies (HL)

**HOMEWORK:**

Complete Student workpoint 5.2 (page 66)

**EVALUATION (extension) task** – produce sentences using economic terminology to draw CONCLUSIONS from this theory.
<table>
<thead>
<tr>
<th>Section 1.3 Government Intervention</th>
<th>Indirect Taxes&lt;br&gt;Specific (fixed amount) taxes and ad valorem (percentage) taxes and their impact on markets</th>
<th>TEACHING ACTIVITIES: How topic is delivered in the classroom?</th>
<th>RESOURCES: Websites, textbooks refs, worksheets, ppt &amp; homework</th>
<th>DIFFERENT LEARNING NEEDS: Worksheets, Groupwork, self assessment, visual, mind maps</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Explain why governments impose indirect (excise) taxes.</td>
<td>LINKS TO TOK/CAS: In what sense are we morally obliged to pay taxes? Is this a result of promise that we have made to ourselves? When was this promise made? (moral/legal obligation)</td>
<td>ECC Chapter 5 pages 63-64</td>
<td>IB LEARNER PROFILE: Knowledgeable: to explore concepts and ideas</td>
</tr>
<tr>
<td></td>
<td>Distinguish between specific and ad valorem taxes.</td>
<td>Powerpoint and student workbook: Indirect taxes and subsidies (SL and HL core)</td>
<td></td>
<td>Enquirer: research cigarette tax in a country of your choice</td>
</tr>
<tr>
<td></td>
<td>Draw diagrams to show specific and ad valorem taxes, and analyse their impacts on market outcomes.</td>
<td>Handout / Workbook: definitions of INDIRECT TAXES (flat rate and ad valorem) and SUBSIDIES. Real world examples – class internet research task (ICT)</td>
<td></td>
<td>Worksheets produced to guide lower attainment students through this topic.</td>
</tr>
<tr>
<td></td>
<td>Discuss the consequences of imposing an indirect tax on the stakeholders in a market, including consumers, producers and the government</td>
<td>‘Learn and Share’ task for all students: each pair completes one part of the activity and then pairs mix up to teach each other the topic – complete a worksheet and build up knowledge</td>
<td></td>
<td>Extra theory checklist handout provided.</td>
</tr>
<tr>
<td>Subsidies</td>
<td>Impact on markets</td>
<td>Data Response Exercise page 76</td>
<td></td>
<td>IB LEARNER PROFILE: Thinker: calculate, illustrate and explain</td>
</tr>
<tr>
<td></td>
<td>Explain why governments provide subsidies, and describe examples of subsidies.</td>
<td>Students use graph paper and/or Excel to plot curves and calculate effects of a subsidy</td>
<td></td>
<td>All students given A3 sheet of coloured paper and use to produce a</td>
</tr>
<tr>
<td></td>
<td>Draw a diagram to show a subsidy, and analyse the impacts of a subsidy on market outcomes.</td>
<td>Calculate using several numerical examples.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Week

#### Section 1.3 Government Intervention

**Price Controls**

- **Price ceilings (maximum prices): rationale, consequences and examples**
  - Explain why governments impose price ceilings, and describe examples of price ceilings,

**Aims and Objectives**

At the end of the week, students should be able to know and understand:

- consumers, producers and the government.
- **KEY WORDS:** indirect tax, flat rate, ad valorem, subsidy, stakeholders

**HL Lesson**

**Subsidies – impact on market**

- Plot demand and supply curves for a product from linear functions and then illustrate and/or calculate the effects of the provision of a subsidy on the market (on price, quantity, consumer expenditure, producer revenue, government expenditure, consumer surplus and producer surplus).

**KEY WORDS:** provision of a subsidy, consumer expenditure, government tax revenue, producer revenue, consumer surplus, producer surplus.

**Links to TOK/CAS**

- To what extent is government morally obliged to provide healthcare and welfare benefits to the unemployment?
- Why should tax payers pay for subsidised housing for the lower paid members of society?

**Handout:** Intervention in the free market

- A3 review sheet to complete in class with diagrams

**Homework:** All students complete Data Response (Dairy Farmers) question – graduated questions to support and challenge

**Revision Diagram Sheet for this Topic**

**Teaching Activities:**

- How topic is delivered in the classroom?

**Resources:**

- Websites, text books refs, worksheets, ppt & homework

**Personalised Learning**

**Different Learning Needs:**

- Worksheets, Groupwork, self assessment, visual, mind maps

**IB Learner Profile:**

- Reflective: thoughtful consideration to their own learning
<table>
<thead>
<tr>
<th>Topic</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price controls</td>
<td>In Pairs, students complete work point 5.5 (page 72) in class. Work through ppt, students add detail to their booklet. Students (in pairs) research to find real world examples. EVALUATION: problems caused as well as benefits. Price Controls interactive picture activity (pairs) – who benefits and who loses out? EVALUATE THEORY. Work through ppt, students add detail to their booklet. CLASS DEBATE: should governments intervene in the free market to support stakeholder groups? Student Workbook provided: calculations included. Evaluation exercise – using numerical data to add detail to answers.</td>
</tr>
<tr>
<td></td>
<td>Thinker: illustrate and explain. HL Student extension questions provided. Encouraged to evaluate CONSEQUENCE S of government intervention (further intervention provided by government to overcome these new problems). Diagrams produced in full. Students add labels and details needed. Students add missing words to sentences provided. Then, compile their own sentences to describe the theory process. Groupwork tasks to teach maximum and minimum price controls topic.</td>
</tr>
</tbody>
</table>
### IB Economics Scheme of Work for Micro

Textbook: Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

**Aims and Objectives**

- Examine the possible consequences of a price floor, including surpluses and government measures to dispose of the surpluses, inefficient resource allocation and welfare impacts.
- Discuss the consequences of imposing a price floor on the stakeholders in a market, including consumers, producers and the government.

**KEY WORDS**: buffer stock; cartels; commodities; agricultural commodity; supply-side shocks; industrial commodity; demand-side shocks

**HL LESSON:**

**Price ceilings**

- Calculate possible effects from the price ceiling diagram, including the resulting shortage and the change in consumer expenditure (which is equal to the change in firm revenue).

**Price floors**

- Calculate possible effects from the price floor diagram, including the resulting surplus, the change in consumer expenditure, the change in producer revenue, and government expenditure to purchase the surplus.

**Interactive picture activity (winners and losers)**

Long Essay Question as an extension topic. Evaluate the EU Common Agricultural Policy (negative consequences for developing countries – introduce ‘development issues’, specifically)

TERMS OF TRADE

<table>
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<td>Aims and Objectives</td>
<td>Teaching Activities:</td>
<td>Resources:</td>
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</tbody>
</table>
### IB Economics Scheme of Work for Micro
**Textbook:** Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

<table>
<thead>
<tr>
<th><strong>Section 1.4 Market Failure</strong></th>
<th><strong>The meaning of market failure</strong></th>
<th><strong>How topic is delivered in the classroom?</strong></th>
<th><strong>Websites, text books refs, worksheets, ppt &amp; homework</strong></th>
<th><strong>Worksheets, Groupwork, self assessment, visual, mind maps</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market failure as a failure to allocate resources efficiently</strong></td>
<td><strong>Analyse the concept of market failure as a failure of the market to achieve allocative efficiency, resulting in an over-allocation of resources (over-provision of a good) or an under-allocation of resources (under-provision of a good)</strong></td>
<td><strong>Work through ppt, students add detail to their booklet</strong></td>
<td><strong>ECC Chapter 12 Pages 139-147</strong></td>
<td><strong>IB LEARNER PROFILE:</strong> Thinker, enquirer Knowledgeable: to explore concepts and ideas</td>
</tr>
<tr>
<td><strong>Types of market failure</strong></td>
<td><strong>Describe the concepts of marginal private benefits (MPB), marginal social benefits (MSB), marginal private costs (MPC) and marginal social costs (MSC).</strong></td>
<td><strong>Use mini whiteboards to draw diagrams to represent community surplus and allocative efficiency</strong></td>
<td><strong>Powerpoint:</strong> Introduction to market failure (includes why the free market is regarded as economically efficient and why the market fails) <strong>STUDENT WORKBOOK</strong> Mjmfoodie: MARKET FAILURES <a href="http://www.youtube.com/user/mjmfoodie/p/u/3/rJixtB0GiuQ">http://www.youtube.com/user/mjmfoodie/p/u/3/rJixtB0GiuQ</a></td>
<td><strong>All students produce ONE diagram to represent market failure</strong></td>
</tr>
</tbody>
</table>
| **The meaning of externalities** | **Describe the meaning of externalities as the failure of the market to achieve a social optimum where MSB = MSC** | **In pairs, students produce A3 posters illustrating change in community surplus when PRIVATE AND SOCIAL COSTS and BENEFITS are included in the diagrams (each pair will be assigned a different product / scenario)** | **Powerpoint:**  
- Externalities **STUDENT WORKBOOK**  
- Theory review quiz Mjmfoodie: EXTERNALITIES [http://www.youtube.com/user/mjmfoodie/p/u/2/yC5R9WPId0s](http://www.youtube.com/user/mjmfoodie/p/u/2/yC5R9WPId0s) | **Differentiated open questioning and pairs assigned** |
<p>| <strong>Negative externalities of production and consumption</strong> | <strong>Explain, using diagrams and examples, the concepts of negative externalities of production and consumption, and the welfare</strong> | <strong>Externalities quiz: students draw diagrams on mini whiteboards related to various real world scenarios shown on the IWB</strong> | <strong>Students watch sections of dvd and complete accompanying sheet to highlight various points.</strong> | <strong>All students will produce an A3 diagram sheet in class with all four important diagrams.</strong> |
|  |  |  | <strong>Students produce an A3 sheet with all four diagrams representing EXTERNALITIES (will be used in further lessons)</strong> | <strong>Review activity (using ppt prepared with examples and mini whiteboards for students to write answers</strong> |</p>
<table>
<thead>
<tr>
<th><strong>loss associated with the production or consumption of a good or service.</strong></th>
<th><strong>In pairs, students complete relevant sections of WORKBOOK, complete practice past exam questions and APPLY theory to real world examples and/or draw diagrams</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Explain that demerit goods are goods whose consumption creates external costs.</td>
<td></td>
</tr>
<tr>
<td>Evaluate, using diagrams, the use of policy responses, including market-based policies (taxation and tradable permits) and government regulations, to the problem of negative externalities of production and consumption.</td>
<td></td>
</tr>
<tr>
<td><strong>Positive externalities of production and consumption</strong></td>
<td></td>
</tr>
<tr>
<td>Explain, using diagrams and examples, the concepts of positive externalities of production and consumption, and the welfare loss associated with the production or consumption of a good or service.</td>
<td></td>
</tr>
<tr>
<td>Explain that merit goods are goods whose consumption creates external benefits.</td>
<td></td>
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<tr>
<td>Evaluate, using diagrams, the use of government responses, including subsidies, legislation, advertising to influence behaviour, and direct provision of goods and services.</td>
<td></td>
</tr>
<tr>
<td><strong>KEY WORDS:</strong> negative production externalities (pollution, global warming; acid rain); positive production; negative consumption (demerit goods); positive consumption (merit goods and public goods)</td>
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</tr>
</tbody>
</table>
HL LESSON
Asymmetric information
Explain, using examples, that market failure may occur when one party in an economic transaction (either the buyer or the seller) possesses more information than the other party.

Evaluate possible government responses, including legislation, regulation and provision of information.

ECC Chapter 12 pages 153-154
Powerpoint
Market Failure (HL extension)

HL: extension topics. Provided with a list of real world example and need to link to relevant theory. Complete more challenging worksheet questions (consider how governments might intervene in market to overcome these market failures)

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<td>How topic is delivered in the classroom?</td>
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<tr>
<td></td>
<td>At the end of the week, students should be able to know and understand:</td>
<td></td>
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**Section 1.4 Market Failure**

**Types of market failure (continued)**

**Lack of public goods**

- Using the concepts of rivalry and excludability, and providing examples, distinguish between public goods (non-rivalrous and non-excludable) and private goods (rivalrous and excludable).
- Explain, with reference to the free rider problem, how the lack of public goods indicates market failure.

Bring in an example of a private good (a cake to share with the class) and use it to describe the economic term 'private good'

Take students for a brief walk to the footpath by the school and ask questions to help them understand ‘public good’ (pure or quasi)

Students complete tasks in workbook and use mini whiteboards to answer questions and draw diagrams

ECC Chapter 12 pages 139-141

DVDs: “Sicko”
The Price of Life – with accompanying worksheet

Powerpoint: Public goods

IB LEARNER PROFILE:
Thinker, enquirer
Caring about the world’s future
Knowledgeable: to explore concepts and ideas

All students to complete this task,
| Discuss the implications of the direct provision of public goods by government |
| KEY WORDS: private good; public good; rivalrous; excludable; rejectible; free rider effect; pure public and quasi public |
| Common access resources and the threat of sustainability |
| Describe, using examples, common access resources. |
| Describe sustainability. |
| Explain that the lack of a pricing mechanism for common access resources means that these goods may be overused/depleted/degraded as a result of activities of producers and consumers who do not pay for the resources that they use, and that this poses a threat to sustainability. |
| Explain, using negative externalities diagrams, that economic activity requiring the use of fossil fuels to satisfy demand poses a threat to sustainability. |
| Explain that the existence of poverty in economically less developed countries creates negative externalities through over-exploitation of land for agriculture, and that this poses a threat to sustainability. |
| Evaluate, using diagrams, possible government responses to threats to sustainability, including legislation, |
| In pairs, students complete relevant sections of WORKBOOK – complete practice past exam questions and APPLY theory to real world examples |

| Mjmfoodie: PUBLIC GOODS |
| http://www.youtube.com/user/mjmfoodie#p/u/1/mYiW1Ug7L_s |
| http://www.bized.co.uk/virtual/economy/policy/tools/government/gxpath2.htm |
| http://tutor2u.net/economics/content/topics/marketfail/public_goods.htm |
| ECC Chapter 12 pages 147-151 |
| Powerpoint Common access resources and the threat of sustainability |
| Powerpoint Government intervention in the market (student theory booklet) |
| Complete a grid, assigning goods and services according to PURE PUBLIC, QUASI PUBLIC, PRIVATE. Feedback to group and explain to other students in the class. |
| All students add detail to MIND MAP produced in class. |
| Debate: Should governments provide free healthcare for all citizens? In your country, could university education be classified as a public good? Should university education be publically funded? |
| All students to complete extra homework task – further examples of market failure |
| Produce a mind map of all reasons for market failure |
carbon taxes, cap and trade schemes, and funding for clean technologies.

- Explain, using examples, that government responses to threats to sustainability are limited by the global nature of the problems and the lack of ownership of common access resources, and that effective responses require international cooperation.

**KEY WORDS:** common access, natural resources, marginal utility, sustainability, common property resources, deforestation, vicious cycle, subsistence agriculture, fossil fuels, greenhouse gases, cap and trade systems, clean technologies, carbon footprint.

**HL LESSON**

**Abuse of monopoly power**

- Explain how monopoly power can create a welfare loss and is therefore a type of market failure.
- Discuss possible government responses, including legislation, regulation, nationalization and trade liberalization.

**KEY WORDS:** Homogenous, Imperfect competition, Monopoly, Merger, Takeover, Market Share, Nationalization, Trade liberalization.

**ECC Chapter 12 pages 153-154**

**Powerpoint**

Market Failure (HL extension)

Abuse of monopoly power (includes ‘efficiency’ section at the beginning)

http://www.youtube.com/watch?v=fXxzbF9OAbU

HL extension question: how could governments intervene to overcome market failure with imperfect competition and abuse of monopoly power?
## IB Economics Scheme of Work for Micro

Textbook: Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

| Section 1.4  
Market Failure | THEORY CATCH UP WEEK  
APPLICATION AND EVALUATION PRACTICE:  
HOW can governments intervene to address market failure  
KEY WORDS:  
AS BEFORE PLUS ... direct provision; legislation; indirect tax; subsidies; corporation tax; tradable emission permits; establishment and extension of property rights; negative and positive advertising campaigns; international co-operation  
INTRODUCTION TO THE INTERNAL ASSESSMENT  
| CLASS PRESENTATIONS:  
In groups of three, students teach the class a specific topic (must include an interactive task as part of their teaching strategy)  
Students complete gaps in WORKBOOKS and draw relevant diagrams  
| Internal Assessment booklet, with full details of requirements for this important part of the IB Economics course  
HL asked to evaluate each possible method of intervention and provide ONE argument against for the rest of the group.  

### Week TOPIC OUTLINE

**Aims and Objectives**

At the end of the week, students should be able to know and understand:

**SYLLABUS/SUBJECT:**

**TEACHING ACTIVITIES:**

How topic is delivered in the classroom?

**RESOURCES:**

Websites, text books refs, worksheets, ppt & homework

**PERSONALISED LEARNING NEEDS:**

Worksheets, Groupwork, self assessment, visual, mind maps

### Section 1.5  
Theory of the firm and market structures (HL only)  
**Production and costs**

**Production in the short run: the law of diminishing returns**

- Distinguish between the short run and long run in the context of production.
- Define total product, average product and marginal product, and construct diagrams to show their relationship.
- Explain the law of diminishing returns.

**LINKS TO TOK**

Is it rational to take into account costs already incurred in deciding whether a business venture should be terminated or whether it should continue in the short run?

**ECC Chapter 6 pages 77-88**

Mjmfoodie  
Episode 23: Cost Curves  
http://www.youtube.com/user/mjmfoodie#p/u/53/UI-LL8-7VAs

**IB LEARNER PROFILE:**

Knowledgeable (define, calculate, draw, explain)  
Thinker: applying thinking skills critically and creatively
| **IB Economics Scheme of Work for Micro**  
| **Textbook: Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)** |
| **Costs of production: economic costs**  
| - Explain the meaning of economic costs as the opportunity cost of all resources employed by the firm (including entrepreneurship).  
| - Distinguish between explicit costs and implicit costs as the two components of economic costs. |
| **Costs of production in the short run**  
| - Explain the distinction between the short run and the long run, with reference to fixed costs and variable costs.  
| - Distinguish between total costs, marginal costs and average costs.  
| - Draw diagrams illustrating the relationship between marginal costs and average costs, and explain the connection with production in the short run.  
| - Explain the relationship between the product curves (average product and marginal product) and the cost curves (average variable cost and marginal cost), with reference to the law of diminishing returns.  
| - Calculate total fixed costs, total variable costs, total costs, average fixed costs, average variable costs, average total costs and marginal costs from a set of data and/or diagrams. |
| **Production in the long run: returns to scale**  
| - Distinguish between increasing returns to scale, decreasing returns to scale and constant returns to scale. |
| **Costs of production in the long run**  
| - Calculate total, average and marginal product from a set of data and/or diagrams. |

**Powerpoint and student workbook (short run and long run situation)**
- Students calculate values and plots data using graph paper. Activity to illustrate law of diminishing returns

**Powerpoint and student workbook (product)**
- Students calculate values and plots data using graph paper (ATC, AVC, AFC, MC)

**Episode 23: Do we really need all these cost curve diagrams?**
http://www.youtube.com/user/mjmfoodie#p/u/51/oj72z5kDZwo

**Various powerpoints and student workbooks**
- HL HOMEWORK: Complete HL paper 3 question on page 101 and EXAMINATION QUESTIONS 3 and 4 page 100
- SL HOMEWORK: Complete all Section 1.1 tasks

**HL HOMEWORK**
- Complete HL paper 3 question on page 101 and EXAMINATION QUESTIONS 3 and 4 page 100

**SL HOMEWORK**
- Complete all Section 1.1 tasks

**STANDARD LEVEL:**
- 1. Review and recap all Section 1.1 and 1.2: microeconomic

**Further questions provided and allowed to move ahead with workbook. Produce graphs in full.**

**Complete EXAMINATION QUESTIONS 5 and 6 page 100**
### Section 1.5 Theory of the firm and market structures (HL only)

**Revenues**

**Total revenue, average revenue and marginal revenue**
- Distinguish between total revenue, average revenue and marginal revenue.
- Illustrate, using diagrams, the relationship between total revenue, average revenue and marginal revenue.
- Calculate total revenue, average revenue and marginal revenue from a set of data and/or diagrams.

Complete activities in LONG RUN COST CURVES powerpoint booklet
Higher Level Students complete student booklets to help them construct various revenue curves
Practice drawing these curves using individual whiteboards

**ECC Chapter 6 pages 89-94**

- **Powerpoint resources:**
  - Long run cost curves
  - Revenue

**WORKBOOKS**
Graph paper to plot curves

**HIGHER LEVEL ONLY**
Complete student work point 6.4 (page 94)
G+T: Higher level questioning
Move on to complete REVENUE activity if complete tasks
### Profit

*Economic profit (sometimes known as supernormal profit or abnormal profit) and normal profit (zero economic profit occurring at the break-even point)*

- Describe economic profit as the case where total revenue exceeds economic cost.
- Describe normal profit as the amount of revenue needed to cover the costs of employing self-owned resources (implicit costs, including entrepreneurship) or the amount of revenue needed to just keep the firm in business.
- Explain that economic profit is profit over and above normal profit, and that the firm earns normal profit when economic profit is zero.
- Explain why a firm will continue to operate even when it earns zero economic profit.
- Explain the meaning of loss as negative economic profit arising when total revenue is less than total cost.
- Calculate different profit levels from a set of data.

### Goals of the firms

*Profit maximisation*

- Explain the goal of profit maximization where the difference between total revenue and total cost is maximized or where marginal revenue equals marginal cost.

### Alternative goals of firms

- Describe alternative goals of firms, including revenue maximization, growth maximization, satisficing and corporate social responsibility.

### Pair work task to demonstrate the difference between normal and abnormal profit

GAME: producing curve diagrams using cut out acetate pieces

Revision test in class (Cost / revenue curves and profit)

Acetate game: produce diagrams representing **normal economic profit; abnormal economic profit; economic loss** for perfect competition and imperfect competition

### ECC Chapter 6 pages 94-100

Powerpoint resources: PROFIT AND OTHER GOALS OF FIRMS WORKBOOKS

Episode 26B: Maximising profits
http://www.youtube.com/user/mjmfoodie#p/u/49/J_tdZZkRvbg

Mjmfoodie
Episode 25: Market Structures
http://www.youtube.com/user/mjmfoodie#p/u/52/9Hxy-TuX9fs

- **ECC Higher:** Sec 2/Chpt 8

Powerpoint: Perfect Competition

Mjmfoodie
Episode 26: Perfect Competition
http://www.youtube.com/user/mjmfoodie#p/u/50/61GCogalzVc

ECC Chapter 7 pages 102-104

### Mind map produced for PRODUCT, COSTS (SR AND LR) AND REVENUE

G+T HIGHER LEVEL ONLY: mind map produced for PROFIT

### IB LEARNER PROFILE:

Thinker: solver problems and illustrate answers
Applying thinking skills creatively and critically
Knowledgeable
**Perfect Competition**

**Assumptions of the model**
- Describe, using examples, the assumed characteristics of perfect competition: a large number of firms; a homogeneous product; freedom of entry and exit; perfect information; perfect resource mobility.

**Revenue curves**
- Explain, using a diagram, the shape of the perfectly competitive firm’s average revenue and marginal revenue curves, indicating that the assumptions of perfect competition imply that each firm is a price taker.
- Explain, using a diagram, that the perfectly competitive firm’s average revenue and marginal revenue curves are derived from market equilibrium for the industry.

**KEY WORDS:**
Revenue (total, average, marginal), accounting profit, economic profit, normal profit, implicit costs, satisficing, economic loss, profit maximisation, revenue maximisation, homogenous product, resource mobility, price taker

**Standard Level Students:** Independent Learning Opportunities (booked in with SILS supervisor and/or working independently in class)

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**Week** | **TOPIC OUTLINE** | **SYLLABUS/SUBJECT:** | **PERSONALISED LEARNING**
---|---|---|---
 | Aims and Objectives | TEACHING ACTIVITIES: How topic is delivered in the classroom? | RESOURCES: Websites, text books refs, worksheets, ppt & homework |
 | At the end of the week, students should be able to know and understand: | DIFFERENT LEARNING NEEDS: Worksheets, Groupwork, self |
## Section 1.5
### Theory of the firm and market structures (HL only)

#### Perfect Competition Continued

**Profit maximisation in the short run**
- Explain, using diagrams, that it is possible for a perfectly competitive firm to make economic profit (supernormal profit), normal profit or negative economic profit in the short run based on the marginal cost and marginal revenue profit maximization rule.

**Profit maximisation in the long run**
- Explain, using a diagram, why, in the long run, a perfectly competitive firm will make normal profit.
- Explain, using a diagram, how a perfectly competitive market will move from short-run equilibrium to long-run equilibrium.

**Shut down price and break-even**
- Distinguish between the short run shut-down price and the break-even price.
- Explain, using a diagram, when a loss-making firm would shut down in the short run.
- Explain, using a diagram, when a loss-making firm would shut down and exit the market in the long run.
- Calculate the short run shutdown price and the breakeven price from a set of data.

**Efficiency**
- Explain the meaning of the term allocative efficiency.
- Explain that the condition for allocative efficiency is $P = MC$ (or, with externalities, $MSB = MSC$).
- Explain, using a diagram, why a perfectly competitive market leads to allocative efficiency.

#### LONKS WITH TOK:

- **How can we know to determine the balance of government policy between promoting competition in the interest of the consumer and allowing profitability in the interest of firms?**

- **Pairwork exercise game:** Using acetate pieces to produce a diagrams representing SR and LR situation in perfect competition

- **Individual task:** complete diagrams sheet to include detail on diagrams representing SR and LR situation with perfect competition

- **Quiz:** efficiency – diagrams and definitions

- **Complete student workpoint 7.1 and 7.2 page 108 and 111 in class**

### Resources from previous week

- **ECC Chapter 7 pp 104-110**
- **MONOPOLY:**
  - **ECC** Chapter 8 pages 112-118
  - **Mjmfoodie**
    - Episode 27: Monopoly
      - http://www.youtube.com/user/mjmfoodie#p/u/48/7UWgKZsKZOc
    - Episode 28: Regulation
      - http://www.youtube.com/user/mjmfoodie#p/u/47/lZfbZDK0hLw

- **HL HOMEWORK:** Complete data response exercise page 120
- **SL HOMEWORK:** Complete all Section 1.3 tasks

### IB LEARNER PROFILE:

- **Thinker:** explain and illustrate
- **Mind map produced for PERFECT COMPETITION**
- **MONOPOLY:** All students complete workpoint 8.1 in class.
- **Complete workpoint 8.4 (laptop needed for research – feedback information to rest of class)**
- **All students produce diagrams on an A3 sheet –**

### Assessment, visual, mind maps

- **Resources from previous week**
- **Acetate game resources**
- **ECC Chapter 7** pp 104-110
- **MONOPOLY:**
  - **ECC** Chapter 8 pages 112-118
  - **Mjmfoodie**
    - Episode 27: Monopoly
      - http://www.youtube.com/user/mjmfoodie#p/u/48/7UWgKZsKZOc
    - Episode 28: Regulation
      - http://www.youtube.com/user/mjmfoodie#p/u/47/lZfbZDK0hLw
**Monopoly**

**Assumptions of the model**
- Describe, using examples, the assumed characteristics of a monopoly: a single or dominant firm in the market; no close substitutes; significant barriers to entry.

**Barriers to entry**
- Describe, using examples, barriers to entry, including economies of scale, branding and legal barriers.

**Revenue curves**
- Explain that the average revenue curve for a monopolist is the market demand curve, which will be downward sloping.
- Explain, using a diagram, the relationship between demand, average revenue and marginal revenue in a monopoly.
- Explain why a monopolist will never choose to operate on the inelastic portion of its average revenue curve.

**Profit maximisation**
- Explain, using a diagram, the short- and long-run equilibrium output and pricing decision of a profit maximizing (loss minimizing) monopolist.

1. Review and recap all Section 1.3 and 1.4: microeconomic theory using self-study worksheets and completion of past exam short essays
Identifying the firm’s economic profit (or losses).
- Explain the role of barriers to entry in permitting the firm to earn economic profit.

**Revenue maximisation**
- Explain, using a diagram, the output and pricing decision of a revenue maximizing monopoly firm.
- Compare and contrast, using a diagram, the equilibrium positions of a profit maximizing monopoly firm and a revenue maximizing monopoly firm.
- Calculate from a set of data and/or diagrams the revenue maximizing level of output.

**Natural Monopoly**
- With reference to economies of scale, and using examples, explain the meaning of the term “natural monopoly”.
- Draw a diagram illustrating a natural monopoly.

**KEY WORDS:**
Shut-down price, break-even, allocative efficiency, productive/technical efficiency, close substitutes, barriers to entry, unique product, natural monopoly, inefficiency, R+D

<table>
<thead>
<tr>
<th>Week</th>
<th>TOPIC OUTLINE</th>
<th>SYLLABUS/SUBJECT:</th>
<th>PERSONALISED LEARNING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aims and Objectives</td>
<td>TEACHING ACTIVITIES: How topic is delivered in the classroom?</td>
<td>RESOURCES: Websites, text books refs, worksheets, ppt &amp; homework</td>
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<tr>
<td></td>
<td>At the end of the week, students should be able to know and understand:</td>
<td></td>
<td>DIFFERENT LEARNING NEEDS: Worksheets, Groupwork, self assessment, visual, mind maps</td>
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</tbody>
</table>
### Section 1.5
Theory of the firm and market structures (HL only)

<table>
<thead>
<tr>
<th><strong>Monopoly and efficiency</strong></th>
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</thead>
<tbody>
<tr>
<td>• Explain, using diagrams, why the profit maximizing choices of a monopoly firm lead to allocative inefficiency (welfare loss) and productive inefficiency.</td>
</tr>
<tr>
<td>• Explain why, despite inefficiencies, a monopoly may be considered desirable for a variety of reasons, including the ability to finance research and development (R&amp;D) from economic profits, the need to innovate to maintain economic profit, and the possibility</td>
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<table>
<thead>
<tr>
<th><strong>Policies to regulate monopoly</strong></th>
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<tbody>
<tr>
<td>• Evaluate the role of legislation and regulation in reducing monopoly power.</td>
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<table>
<thead>
<tr>
<th><strong>The advantages and disadvantages of monopoly compared with perfect competition</strong></th>
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<tbody>
<tr>
<td>• Draw diagrams and use them to compare and contrast a monopoly market with a perfectly competitive market, with reference to factors including efficiency, price and output, research and development (R&amp;D) and economies of scale.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Monopolistic Competition</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Assumptions of the model</strong></td>
</tr>
<tr>
<td>• Describe, using examples, the assumed characteristics of a monopolistic competition: a large number of firms; differentiated products; absence of barriers to entry and exit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Revenue curves</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Explain that product differentiation leads to a small degree of monopoly power and therefore to a negatively sloping demand curve for the product.</td>
</tr>
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</table>

<table>
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<tr>
<th><strong>ECC Chapter 8 pages 118-120</strong></th>
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</thead>
<tbody>
<tr>
<td>To review knowledge and understanding of curves – pairwork task, use OHT sheets to produce accurate diagrams</td>
</tr>
</tbody>
</table>

| **Individual task:** Under timed conditions, complete short essay question 3 in class (page 120) |
| Complete workpoint 10.2 in class |

<table>
<thead>
<tr>
<th><strong>ECC Chapter 9</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Powerpoint and A3 handouts / worksheets for MONOPOLISTIC COMPETITION</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Students</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>practice drawing monopolistic competition diagrams – also compare monopoly and monopolistic competition</td>
</tr>
</tbody>
</table>

| **To review knowledge and understanding of curves – pairwork task, use OHT sheets to produce accurate diagrams** |

| **Mind map produced for MONOPOLISTIC COMPETITION** |
| complete long essay question Paper 1, question 1 page 125 |

| **students: produce detailed diagrams without guidance (self assessment using textbook)** |

| **HL HOMEWORK:** Read Chapter 10 and 11 in textbook and complete WORKBOOK QUESTIONS |
| **SL HOMEWORK:** Complete all Section 1.4 tasks |
| **SUBMIT DRAFT COPY OF IA1** |

| **IB LEARNER PROFILE:** |
| **Thinker:** explain and illustrate |
| **Conduct research and access outcomes** |
| **Reflective:** use information to explain advantages and disadvantages – compare and contrast |

<p>| <strong>Mind map completed for MONOPOLY</strong> |
| <strong>Diagram Model exercise</strong> |</p>
<table>
<thead>
<tr>
<th>Profit maximisation in the short run</th>
<th>Complete workpoint 9.2 in class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explain, using a diagram, the SR equilibrium output and pricing decisions of a profit maximizing (loss minimizing) firm in monopolistic competition, identifying the firm’s economic profit (or loss).</td>
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</tbody>
</table>

**Profit maximisation in the long run**
* Explain, using diagrams, why in the long run a firm in monopolistic competition will make normal profit.

**Non-price competition**
* Distinguish between price competition and non-price competition.
* Describe examples of non-price competition, including advertising, packaging, product development and quality of service.

**Monopolistic competition and efficiency**
* Explain, using a diagram, why neither allocative efficiency nor productive efficiency are achieved by monopolistically competitive firms.

**Monopolistic compared with perfect competition and monopoly**
* Compare and contrast, using diagrams, monopolistic competition with perfect competition, and monopolistic competition with monopoly, with reference to factors including short run, long run, market power, allocative and productive efficiency, number of producers, economies of scale, ease of entry and exit, size of firms and product differentiation.
### Section 1.5 Theory of the firm and market structures (HL only)

#### Oligopoly

**Assumptions of the model**
- Describe, using examples, the assumed characteristics of an oligopoly: the dominance of the industry by a small number of firms; the importance of interdependence; differentiated or homogeneous products; high barriers to entry.
- Explain why interdependence is responsible for the dilemma faced by oligopolistic firms—whether to compete or to collude.
- Explain how a concentration ratio may be used to identify an oligopoly.

**Game theory**
- Explain how game theory (the simple prisoner’s dilemma) can illustrate strategic interdependence and the options available to oligopolies.

**Open/formal collusion**
- Explain the term “collusion”, give examples, and state that it is usually (in most countries) illegal.
- Explain the term “cartel”.

#### Teaching Activities:

- **LINKS WITH TOK:** The Prisoner’s dilemma (page 130) – the psychology of decision-making
- **Students complete WORKBOOK throughout the sessions**
- **Board work:** drawing relevant diagrams
- **Pair work:** completing specific worksheet tasks and sharing answers with other class members
- **GAME:** Using acetate cut outs of curves to produce complicated diagrams
- **BIZED activity:**
  - http://www.bized.co.uk/educators/16-19/economics/firms/activity/structure.htm

#### Resources:

- Websites, text books refs, worksheets, ppt & homework

#### Different Learning Needs:

- Worksheets, Groupwork, self assessment, visual, mind maps

#### IB Learner Profile:

- Inquirer: research on Herfindahl-Hirschmann Index
- Reflective: thoughtful consideration to their own learning
  - Complete relevant diagrams without acetate shapes.
  - Complete extension topics provided with activity.
- Mind map produced for OLIGOPOLY and PRICE DISCRIMINATION

#### Real world examples of price discrimination – investigation:

- [Big Banks are operating as an oligopoly](http://www.telegraph.co.uk/finance/financevideo/8267383/Big-banks-are-operating-as-an-oligopoly.html)
- Game theory and the prisoner’s dilemma:
  - [http://www.youtube.com/watch?v=ED9qaAb2BEw](http://www.youtube.com/watch?v=ED9qaAb2BEw)
  - [http://www.youtube.com/watch?v=rEmn2FbY-Be&feature=related](http://www.youtube.com/watch?v=rEmn2FbY-Be&feature=related)
**IB Economics Scheme of Work for Micro**

**Textbook:** Economics Course Companion ECC (Jocelyn Blink / Ian Dorton)

<table>
<thead>
<tr>
<th><strong>• Explain that the primary goal of a cartel is to limit competition between member firms and to maximize joint profits as if the firms were collectively a monopoly.</strong></th>
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<tbody>
<tr>
<td><strong>• Explain the incentive of cartel members to cheat.</strong></td>
</tr>
<tr>
<td><strong>• Analyse the conditions that make cartel structures difficult to maintain.</strong></td>
</tr>
</tbody>
</table>

**Tacit/informal collusion**

Tacit/informal collusion • Describe the term "tacit collusion", including reference to price leadership by a dominant firm.

**Non-collusive oligopoly**

• Explain that the behaviour of firms in a non-collusive oligopoly is strategic in order to take account of possible actions by rivals.
• Explain, using a diagram, the existence of price rigidities, with reference to the kinked demand curve.
• Explain why non-price competition is common in oligopolistic markets, with reference to the risk of price wars.
• Describe, using examples, types of non-price competition.

**Price Discrimination**

**Necessary conditions for the practice of price discrimination**

• Describe price discrimination as the practice of charging different prices to different consumer groups for the same product, where the price difference is not justified by differences in cost.
• Explain that price discrimination may only take place if all of the following conditions exist: the firm must possess some degree of market power; there must be groups of consumers

**(Case Study activity – linking theory with the real world)**

**Review of all market structures:**

http://www.youtube.com/user/mjfoodie#p/u/73/9Hxy-TuX9fs

Interactive activities: the prisoner’s dilemma

Youtube links to represent various examples – then links to behaviour of firms in the real world

Students find suitable articles to use for an internal assessment on this particular topic – feedback to class – how they would analyse and evaluate the article

**HL HOMEWORK:** Complete Paper1, part a questions on page 132 and analyse Price Discrimination case Study page 137. Investigate TWO further real world examples of price discrimination.

**BBC programme (QI) illustration of game theory:**

http://www.bbc.co.uk/iplayer/episode/b00pdbrl/QI_Series_7_Games/

Powerpoint: Oligopoly and price discrimination

A3 review sheet

advantages to producer and consumer
with differing price elasticities of demand for the product; the firm must be able to separate groups to ensure that no resale of the product occurs.
- Draw a diagram to illustrate how a firm maximizes profit in third degree price discrimination, explaining why the higher price is set in the market with the relatively more inelastic demand.

KEY WORDS:
Concentration ratio, game theory, strategic interdependence, open/formal collusion, collusive oligopoly, cartel, tacit/informal collusion, non-collusive oligopoly, kinked demand curve, price rigidity, price discrimination, market power