

Ib economics chapter

Economics



**ASSIGN
BUSTER**

Scarcity -Basic Economic problem - unlimited wants, but limited resources

The question is: How do we allocate these limited resources? 3 questions that any economic system must answer: - What should be produced - How should we produce it? - Who gets it?

Command Economy - You have heavy state involvement - State of ownership of resources and control of production - What should be produced - the state decides - How to produce it - the state decides - Who gets it - the state

decides Market Economy - Private ownership Consumer control - What should be produced - what we can sell - How to produce it - the most

efficient or cheapest way - Who gets it - who can afford it Traditional - Less developed countries - What should be produced - what we always have produced - How do you produce it - the way we always have - Who gets it -

who usually got in the past Resources Natural Resources - land, raw

materials, etc Capital Resources - means of production - the machinery, equipment, etc Human Resources - labor - workers and productivity

entrepreneurship - ability to organize a business Circular flow of an Economy

Opportunity Cost - The cost of what you give up to get something else -

Because of scarcity, we have to make choices - When we make an economic choice, an alternative is given up We try to build models in Economics that

explain how the world works. The model tends to simplify the real world so we can study how it works. Sisters Paramus - all other things being equal.

When we have a model we change one variable, and leave the rest

unchanged Positive and Negative Economics - A positive statement is one

based on facts that can be verified statement is something based on values or opinions. The Production Possibilities Curve This model illustrates scarcity

trade-off and choices opportunity costs Increasing opportunity costs . A normative -as you produce something, eventually the opportunity costs of the next item starts to increase One of the most debated points in economics is the amount of government involvement in the economy there are 2 main schools of thought Keynesian School (Saltwater Economists) - think that sometimes the markets don't get it right and that the government should intervene Neo Classical school (Chicago school, Freshwater Economists)- Friedman - the markets are correct and there should be minimal government intervention. (Friedman himself felt there maybe could be some monetary intervention) Issue of growth vs. Sustainability Efficiency vs. Equity Economic growth vs. Economic development