

Sub-topic	SL/HL core	HL
<b>Evaluation of supply-side policies</b>		
The strengths and weaknesses of supply-side policies	<ul style="list-style-type: none"> <li>Evaluate the effectiveness of supply-side policies through consideration of factors including time lags, the ability to create employment, the ability to reduce inflationary pressure, the impact on economic growth, the impact on the government budget, the effect on equity, and the effect on the environment.</li> </ul>	

**Theory of knowledge: potential connections**

How can we know whether government should support pure research, which might contribute to the sum total of human knowledge but which might never have an impact on technology? What other knowledge issues are relevant to investment in pure research?

Investment in education and training is a common supply-side policy. What other reasons could there be for supporting the education of the population? What knowledge issues arise in answering the question as to whether government should shoulder this responsibility or whether it should be left to the market?

## Section 3: International economics

### 3.1 International trade

Sub-topic	SL/HL core	HL
<b>Free trade</b>		
The benefits of trade	<ul style="list-style-type: none"> <li>Explain that gains from trade include lower prices for consumers, greater choice for consumers, the ability of producers to benefit from economies of scale, the ability to acquire needed resources, a more efficient allocation of resources, increased competition, and a source of foreign exchange.</li> </ul>	

Sub-topic	SL/HL core	HL
Absolute and comparative advantage		<ul style="list-style-type: none"> <li>• Explain the theory of absolute advantage.</li> <li>• Explain, using a diagram, the gains from trade arising from a country's absolute advantage in the production of a good.</li> <li>• Explain the theory of comparative advantage.</li> <li>• Describe the sources of comparative advantage, including the differences between countries in factor endowments and the levels of technology.</li> <li>• Draw a diagram to show comparative advantage.</li> <li>• Calculate opportunity costs from a set of data in order to identify comparative advantage.</li> <li>• Draw a diagram to illustrate comparative advantage from a set of data.</li> <li>• Discuss the real-world relevance and limitations of the theory of comparative advantage, considering factors including the assumptions on which it rests, and the costs and benefits of specialization (a full discussion must take into account arguments in favour and against free trade and protection—see below).</li> </ul>
The World Trade Organization (WTO)	<ul style="list-style-type: none"> <li>• Describe the objectives and functions of the WTO.</li> </ul>	
<b>Restrictions on free trade: Trade protection</b>		
Types of trade protection	<ul style="list-style-type: none"> <li>• Explain, using a tariff diagram, the effects of imposing a tariff on imported goods on different stakeholders, including domestic producers, foreign producers, consumers and the government.</li> </ul>	<ul style="list-style-type: none"> <li>• Calculate from diagrams the effects of imposing a tariff on imported goods on different stakeholders, including domestic producers, foreign producers, consumers and the government.</li> </ul>

Sub-topic	SL/HL core	HL
	<ul style="list-style-type: none"> <li>• Explain, using a diagram, the effects of setting a quota on foreign producers on different stakeholders, including domestic producers, foreign producers, consumers and the government.</li> <li>• Explain, using a diagram, the effects of giving a subsidy to domestic producers on different stakeholders, including domestic producers, foreign producers, consumers and the government.</li> <li>• Describe administrative barriers that may be used as a means of protection.</li> <li>• Evaluate the effect of different types of trade protection.</li> </ul>	<ul style="list-style-type: none"> <li>• Calculate from diagrams the effects of setting a quota on foreign producers on different stakeholders, including domestic producers, foreign producers, consumers and the government.</li> <li>• Calculate from diagrams the effects of giving a subsidy to domestic producers on different stakeholders, including domestic producers, foreign producers, consumers and the government.</li> </ul>
Arguments for and against trade protection (arguments against and for free trade)	<ul style="list-style-type: none"> <li>• Discuss the arguments in favour of trade protection, including the protection of domestic jobs, national security, protection of infant industries, the maintenance of health, safety and environmental standards, anti-dumping and unfair competition, a means of overcoming a balance of payments deficit and a source of government revenue.</li> <li>• Discuss the arguments against trade protection, including a misallocation of resources, the danger of retaliation and “trade wars”, the potential for corruption, increased costs of production due to lack of competition, higher prices for domestic consumers, increased costs of imported factors of production and reduced export competitiveness.</li> </ul>	

**Theory of knowledge: potential connections**

Are there moral as well as economic arguments in favour of free trade?