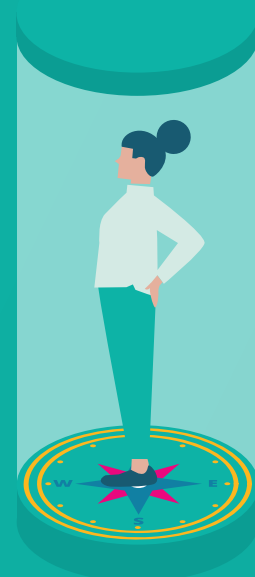




DIPLOMA

Economics Mini Lessons



With Jason Welker, creator of The Economics Classroom and co-author of Pearson's new IB Diploma Economics Student Book

LESSON 1 Calculating a Consumer Price Index (CPI)

In this lesson we provide a simple example of a Consumer Price Index (CPI), which is the statistical tool used by nearly every government to calculate the rate of inflation.

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Discussion points:

1. What is the difference between the simple CPI used in this lesson and the CPIs used by actual countries?
2. Does the CPI for one year always have to be higher than the CPI in previous years?
3. Why would raw materials like steel, aluminium, corn and wheat not be included in any country's CPI?

LESSON 2 Calculating inflation using a CPI

This lesson is a follow-on to the previous lesson on calculating a Consumer Price Index (CPI). In this lesson we learn how to use a CPI to calculate the actual inflation rate between two periods of time.

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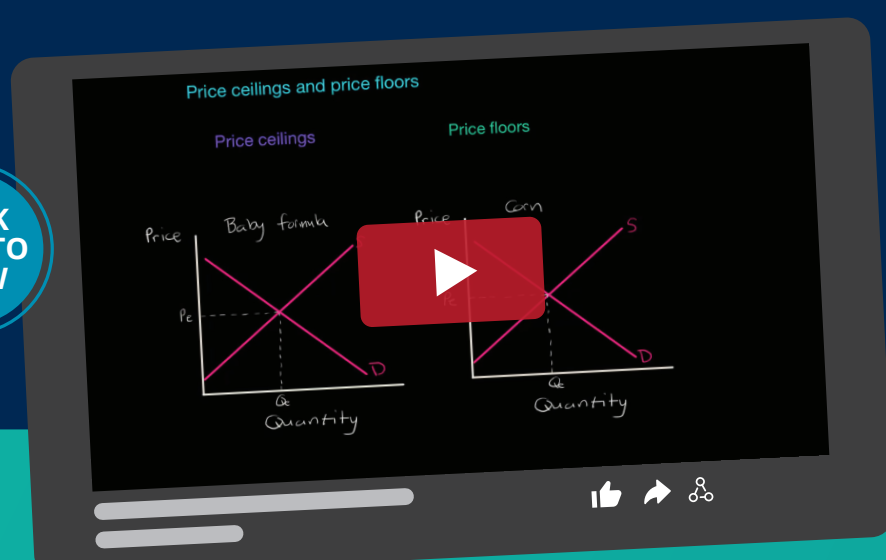
Discussion points:

1. What is the difference between calculating a CPI and calculating inflation?
2. Interpret the meaning of a negative inflation rate.
3. Does a CPI-based inflation rate accurately represent the effect of changing prices on all stakeholders in a country? Why or why not?

LESSON 3 Price controls

In this lesson we look at the different ways the government may attempt to manipulate goods prices by using price ceilings and price floors.

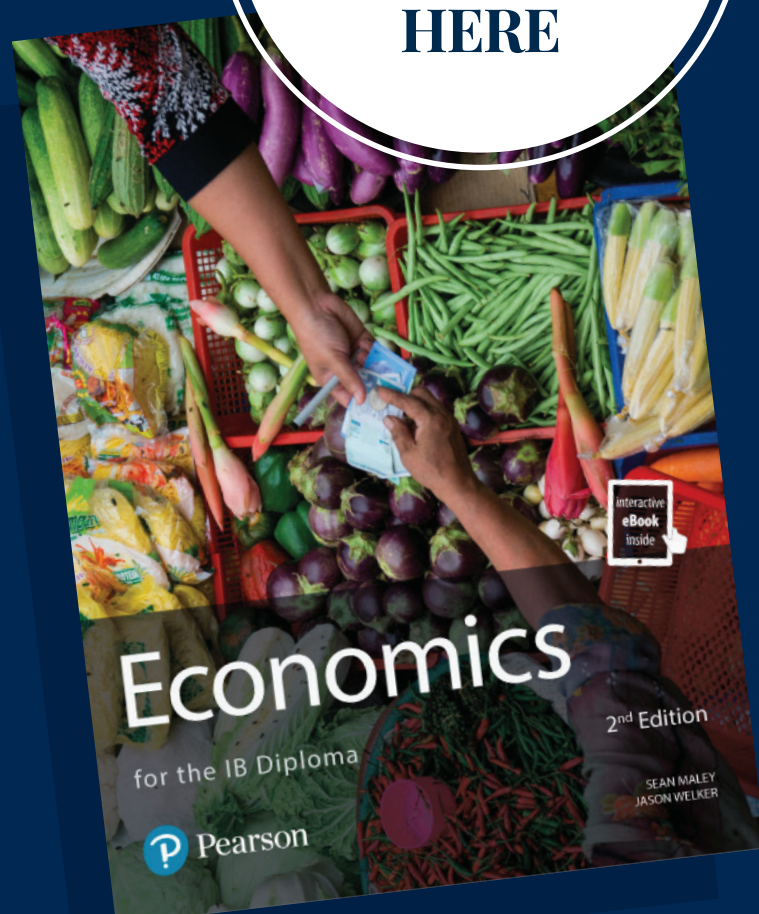
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Discussion points:

1. Assume a government wishes to help people who drive cars. Would a price ceiling or a price floor be the best means of helping drivers?
2. In what case would a price floor have no effect on the equilibrium in a market?
3. What makes price controls inefficient?

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