

Worksheet 2: Microeconomics and Macroeconomics

IB Economics - Introduction to Economics / Foundations | Trimester school assessment practice

Name: _____

Date: _____

Total: 42 marks

Instructions: Answer all questions. Use accurate economic terminology. For extended responses, include definitions, application, analysis and evaluation. HL-labelled questions are suitable for extension practice.

Section A: Multiple choice questions [5 marks]

1. Microeconomics mainly studies:

- A. the economy as a whole.
- B. individual consumers, firms and markets.
- C. only international trade.
- D. only government budgets.

2. Macroeconomics uses aggregates such as:

- A. one household budget.
- B. one firm's profit.
- C. total national output and employment.
- D. one product price in one shop.

3. A study of how a rise in the price of coffee affects coffee purchases is mainly:

- A. microeconomics.
- B. macroeconomics.
- C. economic history only.
- D. political science only.

4. A study of inflation across the whole economy is mainly:

- A. microeconomics.
- B. macroeconomics.
- C. business management only.
- D. accounting only.

5. Which statement is most accurate?

- A. Micro and macro are unrelated.
- B. Micro ideas can be building blocks for macro analysis.
- C. Macroeconomics ignores consumers and firms completely.
- D. Microeconomics cannot study markets.

Section B: Short-answer questions

1. Distinguish between microeconomics and macroeconomics. [4 marks]

2. Give two examples of microeconomic issues and two examples of macroeconomic issues. [4 marks]

3. Explain why economists sometimes use aggregates. [3 marks]

4. Explain how choices made by many individual consumers can affect the macroeconomy. [4 marks]

Section C: Data response / case study

Data response: In one year, a country experiences the following changes. The price of bread rises by 12 percent, a local bakery closes because costs increased, total national output grows by 1 percent, unemployment rises from 5 percent to 7 percent, and the average price level rises by 8 percent.

1. Classify the bread price change as mainly microeconomic or macroeconomic. Justify your answer. [3 marks]

2. Classify the rise in unemployment as mainly microeconomic or macroeconomic. Justify your answer. [3 marks]

3. Explain how the closure of many small firms could become a macroeconomic issue. [4 marks]

4. Using the data, identify one possible link between microeconomic and macroeconomic analysis. [3 marks]

Section D: Extended response

Discuss why both microeconomic and macroeconomic analysis are needed to understand economic well-being. [12 marks]

Recommended structure: define key terms, apply to the case or examples, develop analysis with cause-and-effect reasoning, and finish with a balanced judgment.

Answer key and marking guidance

Award marks for valid economic reasoning. Accept alternative examples if they are accurate and clearly linked to the question.

Section A answers

1. B 2. C 3. A 4. B 5. B

Section B marking guidance

1. Microeconomics: individual units such as consumers, firms and markets; macroeconomics: whole economy using aggregates such as output, employment and price level. Full distinction required for 4.
2. Award 1 per valid example: micro - price of bread, firm costs, consumer choice, market demand; macro - inflation, unemployment, GDP/output, total income.
3. Aggregates combine many individual units to show overall patterns, such as total output, employment or the general price level.
4. Individual choices add together to form aggregate demand, production decisions, employment patterns, consumption and income flows.

Section C marking guidance

1. Mainly microeconomic because it concerns one product market; allow mention of macro if linked to overall inflation, but justification needed.
2. Macroeconomic because it refers to unemployment for the whole economy, an aggregate indicator.
3. If many firms close, output falls, workers lose jobs, incomes decline and aggregate demand may fall.
4. Examples: rising costs affect bread firms and also contribute to inflation; firm closures affect unemployment; consumer spending influences output.

Section D marking guidance

Answers should link micro well-being to household income, prices, consumer choices, firm behaviour and market outcomes. Macro well-being should be linked to employment, inflation, total income/output, economic stability and living standards. Evaluation may note that household experiences can differ from national averages, so both levels are needed for a complete picture.

12-mark guidance: 1-3 definitions; 4-6 examples and application; 7-9 analysis of connections between micro and macro; 10-12 evaluation of why one perspective alone is incomplete.