

Unit Two

MicroEconomics: Supply & Demand – What determines cost?

Objectives & Terms

Objectives:

- To explain why people demand more of a product at a lower cost
- To define demand
- To describe the inverse relationship of demand
- To be able to draw a demand curve
- To list under what circumstances demand would go up or down and what affect that would have on the price of goods.
- To be able to know and apply (using graphs) the 6 types of demand shift.
- To understand why suppliers are willing to supply more at a higher price.
- To explain the direct relationship of supply and draw a supply curve.
- To be able to know and apply (using graphs) the 7 types of supply shift.
- To define equilibrium and explain why prices *should* always meet where supply meets demand when other factors don't intervene.
- To be able to define price floor and ceiling and show it on a supply/demand graph.
- To be able to discuss pros and cons of price floors and price ceilings.

Terms/Events/People/Vocabulary

- Demand
- Microeconomics
- Demand Curve
- Demand Schedule
- Law of Demand
- Substitutes (Demand Variable)
- Compliments (Demand Variable)
- Consumer Tastes (Demand Variable)
- Change in Expectations (Demand Variable)
- Number of Consumers (Demand Variable)
- Change in Income (Demand Variable)
- Elastic
- Inelastic
- Supply
- Supply Curve
- Law of Supply

- Costs of Inputs (Supply Variable)
- Productivity (Supply Variable)
- Technology (Supply Variable)
- Taxes and Subsidies (Supply Variable)
- Government Regulations (Supply Variable)
- Number of Sellers (Supply Variable)
- Change in Expectations (Supply Variable)
- Equilibrium
- Cost
- Price Floor
- Price Ceiling
- Rent Control
- Minimum Wage
- Graphing Terminology
(D_1 , D_2 , S_1 , S_2 , E_1 , E_2 , etc.)
- Surplus
- Shortage

Notes:

-For this test (and any further assessments, I would like you to start your first demand and supply curves with "1" – so Demand at its starting point will be D_1 rather than simply D. You have seen both in our materials, but to keep it consistent, start the first with 1 and proceed upward (2,3,4...) as you move on.

-You should be able to very clearly conceptualize why price (in an uncontrolled market) should always be where supply and demand meet.

-I will most likely give you a written scenario on the test. From that you will need to graph the appropriate curves and then draw how the curves are moving based on what you read in the scenario. In this same scenario, you will be expected to use all appropriate labels.

-Know and understand elasticity and the kinds of goods and services that are elastic and those that are inelastic. You should be very familiar with how these types of curves are drawn.

-Case studies from ECON U\$A! for this unit we watched the "Supply & Demand" episode and the "Efficiency" episode which talked about price controls. If you missed these, you may want to watch them. The link can be found in the locker.

-Examples of the different types of price controls are good to know. (Ex. Low Income Housing)

-All elements of the test should be familiar to you from work in class – the key is simply putting them all together as one.