### ECONOMICS 11

### **Unit 3: DEMAND, SUPPLY, & MARKET CLEARING PRICE**

Chapters 4, 5, and 6

**PART I: LEARNING TARGETS**

 **STUDENTS CAN**:

* + Explain the purpose of a demand schedule and curve.
	+ Understand the difference between change in demand and change in

quantity demanded.

* + Analyze the elasticity of demand for a product.
	+ Explain the determinants of demand elasticity.
	+ Explain the purpose of a supply schedule and curve.
	+ Understand the difference between change in supply and change in

quantity supplied.

* + Explain the determinants of supply elasticity.
	+ Describe the 3 stages of production and how they relate to the concept of diminishing returns.
	+ Identify the relationship between productivity and cost.
	+ Understand the functions that prices serve.
	+ Understand how prices are determined in a competitive market.
	+ Describe the consequences of having a fixed price in a market.

### **ESSENTIAL QUESTIONS** needed to meet learning targets.

* + What causes a change in demand/change in quantity demanded?
	+ What causes a change in supply/change in quantity supplied?
	+ What are the 3 stages of production and how do they show diminishing marginal utility?
	+ How does the cost of something affect productivity and decisions that businesses must make?
	+ What do prices signal?

**KNOWLEDGE AND SKILLS** necessary to meet learning targets.

Vocabulary:

Ch. 4-1 Ch. 5-3
demand Measures of cost:

 demand schedule (fixed, variable, total, marginal)

 demand curve Measures of revenue:

 (total, marginal)

 Ch. 4-2 marginal analysis

 Law of Demand break-even point

 change in quantity demanded

 income effect Ch. 6-1

 substitution effect rationing

 change in demand

 substitutes Ch. 6-2

 complements market equilibrium

 marginal utility (diminishing) surplus

 shortage

 Ch. 4-3 equilibrium price

 Demand elasticity loss leader

 Elastic/inelastic

 unit elastic Ch. 6-3

 price ceilings

 Ch. 5-1 price floors

 supply target prices

 supply schedule

 supply curve

 Law of supply

 change in supply

 change in quantity supplied

 subsidies

 supply elasticity

 Ch. 5-2

 Theory of production

 short run/long run

 Law of Variable Proportions

 production function

 total product

 marginal product