### 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