

Important Dates:

Quiz 1 (LT's 1a & 2a): _____

Quiz 2 (LT's 1b & 2B): _____

Quiz 3 (LT's 3-5): _____

Practice Test: _____

Unit Exam: _____

Economics Unit 2: Supply & Demand**(Chapters 7 & 11)****Learning Target Outline and Essential Questions**

Name: _____

Hour: _____

LEARNING TARGET	LOCATION IN BOOK
1. I can use the laws of supply and demand to explain producer and consumer behavior.	5.2; 5.4; 5.6; 5.7
2. I can identify all the factors that lead to shifts in supply and demand.	5.3; 5.5
3. I can explain the determination of equilibrium prices by applying principles of supply and demand to markets for goods and services.	6.2
4. I can illustrate and explain the effect on price and quantity when supply or demand shifts in a market.	6.4
5. I can identify direct and indirect effects of price floors and ceilings.	6.3; 6.6

1. I can use the laws of supply and demand to explain producer and consumer behavior.**A. Demand (5.2, 5.6)**

- Define essential vocabulary:

*Demand**Law of Demand**Change in Quantity Demanded**Elasticity of Demand**Inelastic**Elastic*

- When the price of a good increases, what happens to the quantity consumers will buy? _____
When the price of a good decreases, what happens to the quantity consumers will buy? _____
- When graphing a demand curve, *price / quantity* goes on the vertical axis and *price / quantity* goes on the horizontal axis. (CIRCLE ONE IN EACH SEQUENCE)
- Demand curves always slope *upwards / downwards* from left to right. (CIRCLE ONE)
- If a good is inelastic, it means that buyers are *responsive / not responsive* to price changes. (CIRCLE ONE)
- If a good is elastic, it means that buyers are *responsive / not responsive* to price changes. (CIRCLE ONE)
- Explain how the following 4 factors affect elasticity of demand:
 - Availability of Substitutes:*
 - Price Relative to Income:*
 - Necessities Versus Luxuries:*
 - Time Needed to Adjust to a Price Change:*

- In the chart below, use the factors that influence elasticity of demand to determine whether each good is elastic or inelastic:

Good	Is it elastic or inelastic?	Which factor that influences elasticity of demand applies? (How do you know that demand is elastic/inelastic?)
Prescription Medication		
New Sports Car		
Diet Pepsi		
Food		
Salt		
Brand Name Clothing		

B. Supply (5.3, 5.7)

- Define essential vocabulary:
 - Supply*
 - Law of Supply*
 - Change in Quantity Supplied*
 - Supply Curve*
 - Elasticity of Supply*
- What happens to the amount suppliers are willing to sell when the price in the market rises? _____
 What happens to the amount suppliers are willing to sell when the price in the market falls? _____
- When graphing a supply curve, *price / quantity* goes on the vertical axis and *price / quantity* goes on the horizontal axis. (CIRCLE ONE IN EACH SEQUENCE)
- Supply curves always slope *upwards / downwards* from left to right. (CIRCLE ONE)
- If a good is inelastic, it means that producers are *responsive / not responsive* to price changes. (CIRCLE ONE)
- If a good is elastic, it means that producers are *responsive / not responsive* to price changes. (CIRCLE ONE)
- Explain how the following 4 factors affect elasticity of supply:
 - Availability of Inputs:*
 - Mobility of Inputs:*
 - Storage Capacity:*
 - Time Needed to Adjust to a Price Change:*
- In the chart below, use the factors that influence elasticity of supply to determine whether each good is elastic or inelastic:

Good	Is it elastic or inelastic?	Which factor that influences elasticity of supply applies? (How do you know that supply is elastic/inelastic?)
Antiques		
Bananas		
Doctors/Medical Care		

2. I can identify all the factors that lead to shifts in supply and demand.

A. Demand (5.3)

- Define essential vocabulary:
 - Demand Shifter*
 - Change in Demand*

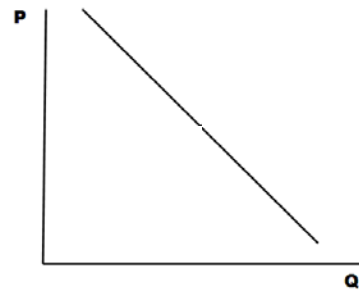
Complementary Goods

Substitute Goods

- In the graph, show the difference between a change in *quantity demanded* (movement along the curve) and a change in *demand* (shift of the curve). Explain why each would occur.

- A change in *quantity demanded* would happen because:

- A change in *demand* would happen because:



- When demand increases, the curve shifts to the right / left. When demand decreases, the curve shifts to the right / left. (CIRCLE ONE IN EACH SEQUENCE)
- In the chart below, explain each of the demand shifters (using *your own* words), then create *your own* example to illustrate each.

Shifter:	Explanation:	Example:
T (Changes in Consumer Tastes and Preferences)		
I (Changes in Income)		
R (Changes in the Price of Related Goods)	Substitutes: Complements:	Substitutes: Complements:
E (Changes in Consumer Expectations)		
S (Changes in Size of Population/# of Consumers)		

- Give an example of 2 goods that are complements. _____ and _____
What happens to the demand for one good when the complement becomes more expensive?
- Give an example of 2 goods that are substitutes. _____ and _____
What happens to the demand for one good when the substitute becomes more expensive?
- Decide whether each of these events would cause a change in *demand* or a change in *quantity demanded* of the good in parentheses, and explain why.
 - A computer manufacturer lowers its prices (COMPUTERS): _____
Why?
 - A volleyball maker convinces high schools to fund men’s varsity volleyball teams (VOLLEYBALLS): _____
Why?

- A freeze ruins the orange crop, and orange juice prices rise (APPLE JUICE): _____
Why?

B. Supply (5.5)

- Define essential vocabulary:

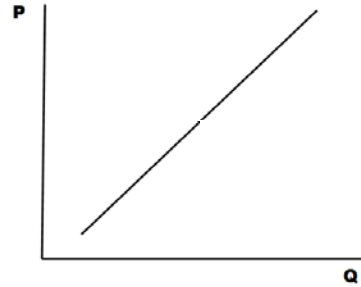
Supply Shifter

Change in Supply

Subsidy

Excise Tax

- In the graph, show the difference between a change in *quantity supplied* (movement along the curve) and a change in *supply* (shift of the curve). Explain why each would occur.



- A change in *quantity supplied* would happen because:

- A change in *supply* would happen because:

- When supply increases, the curve shifts to the right / left. When supply decreases, the curve shifts to the right / left. (CIRCLE ONE IN EACH SEQUENCE)
- In the chart below, explain each of the supply shifters (using *your own words*), then create *your own* example to illustrate each.

Shifter:	Explanation:	Example:
T (Changes in Technology)		
I (Changes in Conditions Due to International Events or Natural Disasters)		
G (Changes in Government Policy)		
E (Changes in Producer Expectations)		
R (Changes in the Cost of Resources/Inputs)		
R (Changes in the Cost of Resources/Inputs)		
S (Changes in # of Sellers/Producers)		

- Decide whether each of these events would cause a change in *supply* or a change in *quantity supplied* of the good in parentheses, and explain why.
 - A pizza restaurant lowers its prices (PIZZAS): _____
Why?
 - The price of sugar increases (JELLY BEANS): _____
Why?
 - An engineer invents a more efficient machine that can sew ten backpacks a minute (BACKPACKS): _____
Why?
- For each of the following situations, identify whether supply or demand would shift to the left or right.

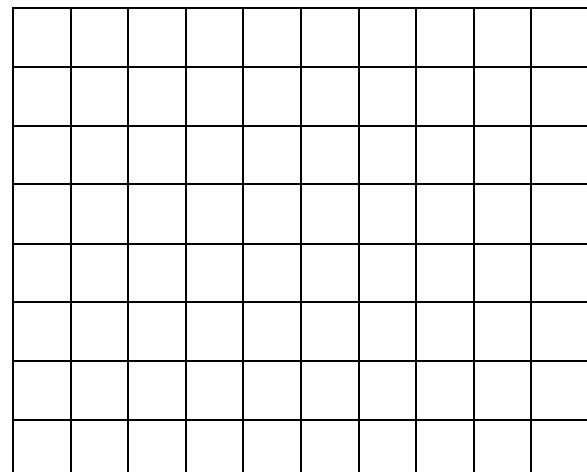
	Would Supply or Demand change?	Shift Right or Shift Left ?
Cost of production increases		
A new fad becomes popular		
Technology improves production		
Consumer income drops		
Firms go bankrupt and close down		

3. I can explain the determination of equilibrium prices by applying principles of supply and demand to markets for goods and services. (6.2)

- Define essential vocabulary:
 - Market Equilibrium*
 - Equilibrium Price*
 - Equilibrium Quantity*
 - Disequilibrium*
- Why is the equilibrium the most efficient price and quantity in the market?
- When there is a change in supply or demand in a market, why does the equilibrium price and quantity change?
- Create a supply and demand graph using the information in the table below. Be sure to LABEL EVERYTHING!

ICE CREAM CONES

Price	QD	QS
\$0.50	300	25
\$1.00	250	50
\$1.50	200	100
\$2.00	150	150
\$2.50	100	200
\$3.00	50	250
\$3.50	10	300



What is the equilibrium price? _____

When the price of ice cream cones is \$2.50, how many are sold? _____

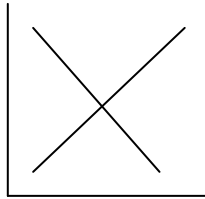
4. I can illustrate and explain the effect on price and quantity when supply or demand shifts in a market. (6.4)

- For each of the following graphs, read the event and illustrate the change in supply or demand on the graph. Be sure to label all parts of the graph and write the responses to the shift in the market in the box next to the graph.

Ford Cars

Event:

Employees at Ford receive a wage increase on their new contract.



Curve:

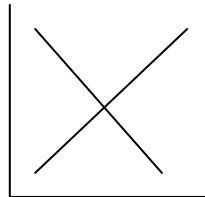
Reason:

Effect in Market: P ____ Q ____

Twins Tickets

Event:

The Twins have had a great season and are playing in the World Series.



Curve:

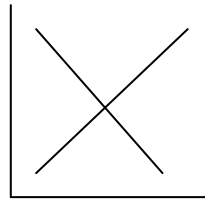
Reason:

Effect in Market: P ____ Q ____

Eggs

Event:

Scientists breed a new chicken that lays twice as many eggs each week.



Curve:

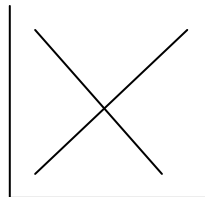
Reason:

Effect in Market: P ____ Q ____

Buy Spray

Event:

In an effort to reduce pollution caused by the production process, the government imposes a tax on companies that produce bug spray.



Curve:

Reason:

Effect in Market: P ____ Q ____

5. I can identify direct and indirect effects of price floors and ceilings. (6.3, 6.6)

- Define essential vocabulary:

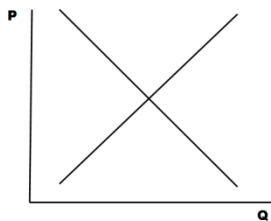
Price Floor

Price Ceiling

Shortage (Excess Demand)

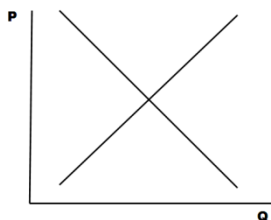
Surplus (Excess Supply)

- On the graph below, draw in a price ceiling. Illustrate the surplus/shortage that occurs.



- How does the price ceiling affect the quantity demanded? _____ The quantity supplied? _____
- Does the price ceiling result in a shortage or a surplus? _____
- Why would the government impose a price ceiling?
- Give an example of a price ceiling:

- On the graph below, draw in a price floor. Illustrate the surplus/shortage that occurs.



- How does the price floor affect the quantity supplied? _____ The quantity demanded? _____
- Does the price floor result in a shortage or a surplus? _____
- Why would the government impose a price floor?
- Give an example of a price floor: