1.3 The Market Graph

**Objective:**

* **Use the demand model to describe buyer behavior in a market economy. Explain the relationship between price and quantity demanded. Describe other factors that can cause demand to shift and explain how they will shift demand.**
* **Use the supply model to describe seller behavior in a market economy.  Explain the relationship between price and quantity supplied.  Describe other factors that can cause supply to shift and explain how they will shift supply.**
* **Use the market model of supply and demand to explain prices and price changes in the market system.  Analyze the effect of supply and demand events on price and quantity.**

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| Demand is : Law of Demand: Graph: | DemandDefine the Law of Demand |
|  | Demand vs. Quantity DemandedExplain the difference and show on graphs.  |
| Normal Goods: Inferior Goods:  | Determinants of Demand (Include graph and explanation of effect.) 1. Changes to Income

Effects on Demand for Normal Goods vs. Inferior Goods |
|  | 1. Consumer Expectations
 |
|  | 1. Changes in Population
 |
|  | 1. Tastes and Preferences
 |
| Complimentary Goods: Substitute Goods:  | 1. Prices of related goods

Effects on Substitute goods vs. Complimentary goods.  |
| Supply is: Law of Supply: Graph: | SupplyDefine the Law of Supply  |
| Fixed Cost: Variable Cost: Total Cost: Why must producers also consider cost or production in addition to price when making decisions?  | Types of Production Cost |
|  | Supply vs. Quantity SuppliedExplain the difference and show on graphs.  |
|  | Determinants of Supply:(Include graph and explanation of effect.)1. Change in Resource Prices
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|  | 1. Number of Sellers in the Market
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| Subsidies are: Excise Taxes are:  | 1. Government Intervention

Subsidies vs. Taxes |
|  | 1. Price of Other Goods
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|  | 1. Price Expectations
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| Equilibrium: Graph:  | Key Concept: Equilibrium will be reached naturally by the market.  |
| Disequilibrium: Shortage: Surplus:  | DisequilibriumShow graphically and explain the problems caused by disequilibrium.  |
| The invisible hand is: Provide an example of the invisible hand in action:  | Invisible HandWatch YouTube videos for further explanation.  |
| Price Ceiling: Example: Price Floor: Example: Why do governments intervene in the market?  | Government Interventions. Illustrate Graphically and explain the effects of price ceilings and price floors.  |
| Provide examples (with graphs) of how a market moves to a new equilibrium in response to a change in supply or a change in demand. 1.
2.
3.
 | Key Concept: When there is a change to supply or demand equilibrium will change.  |