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.**

|  |  |
| --- | --- |
| Demand is :  Law of Demand:  Graph: | Demand  Define the Law of Demand |
|  | Demand vs. Quantity Demanded  Explain 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: | Supply  Define 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 Supplied  Explain the difference and show on graphs. |
|  | Determinants of Supply:  (Include graph and explanation of effect.)   1. Change in Resource Prices |
|  | 1. Number of Sellers in the Market |
| Subsidies are:  Excise Taxes are: | 1. Government Intervention   Subsidies vs. Taxes |
|  | 1. Price of Other Goods |
|  | 1. Price Expectations |
| Equilibrium:  Graph: | Key Concept:  Equilibrium will be reached naturally by the market. |
| Disequilibrium:  Shortage:  Surplus: | Disequilibrium  Show graphically and explain the problems caused by disequilibrium. |
| The invisible hand is:  Provide an example of the invisible hand in action: | Invisible Hand  Watch 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. | Key Concept: When there is a change to supply or demand equilibrium will change. |