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***Basic Economic Concepts: Supply, Demand, and Equilibrium***

**Economics, Unit #2**

Chapter 7

CCCS Reading Standards 12.2, 12.7, 12.9, CCCS Writing Standards 12.2, 12.6, 12.7, 12.9, 12.10

State Standards 12.2

**Overview:** This unit covers basic economic concepts including supply and demand and equilibrium. Students will learn how to create and interpret graphs and analyze cause and effect relationships in our market system. The impact of government regulation as well as current issues in our economy will be applied to supply and demand analysis as well.

1. **Essential Question(s)**: By the end of the unit, students should be able to expertly answer the following question(s):
   1. Explain the Law of Demand and how changes in our society result in shifts in people’s willingness and ability to purchase goods and services. Give specific examples of real world events that would result in shifts in demand for particular products.
   2. Explain the Law of Supply and how changes in our society result in shifts in producer’s willingness and ability to provide goods and services. Give specific examples of real world events that would result in shifts in supply for particular products.
2. **Key Terms**: In order to fully understand and connect the current topic of inquiry with previous and future topics in economics and the social sciences, it is necessary to have a working knowledge of the following key terms. Divide paper into six squares. Label each square with the idea/term at the bottom. On one side, define the term. On the other side use a picture, headline from a newspaper, or current event topic to demonstrate your knowledge of the term and its’ application to our society.

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| 1. demand  2. Law of Demand  3. diminishing marginal utility  4. substitution effect  5. complementary goods  6. elasticity | 7. inelastic demand  8. supply  9. Law of Supply  10. equilibrium  11. shortage  12. surplus | 13. price ceiling  14. price floor  15. rationing  16. black market |

1. **Ideas, Skills, and Concepts:** Economics requires the understanding of certain ideas and concepts but also the application of certain skills to solve real world problems and make sound economic choices. The following topics are essential to the study of economics and the ability to use it in your daily life.
   1. **Demand Headlines/Foldable**: Write headlines that will cause an increase and decrease in demand for products that you choose and draw a corresponding graph for each. Include all 6 factors that shift demand. Label axis and products correctly and show the appropriate shift in demand.
   2. **Supply Headlines/Foldable**: Write headlines that will cause an increase and decrease in supply for products that you choose and draw a corresponding graph for each. Include all 7 factors that shift supply. Label axis and products correctly and show the appropriate shift in supply.
2. **Graphic Organizers:** (skills worksheets, charts, graphs, organizers, etc.) – Graphic organizers serve as a way to practice and review economic skills and concepts, creating not only a deeper understanding of the topics being addressed but also allows for mastery of skills and concepts prior to formal assessment.

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| 1. Reasons for Changes in Demand  2. Reasons for Changes in Supply | 3. Equilibrium Price and Quantity  4. How Markets Allocate Resources |  |

1. **Articles/ Current Events: F**ind **2** articles that relate to supply and demand of products or services in the United States. Attach the article or correctly site your source. Write a paragraph for each of the following: 1) summary of article, 2) explanation of how supply and demand will shift or change as a result of this event, 3) your opinion or view. Draw a graph to illustrate how supply or demand will change as a result.
2. **Class Notes:** Use Cornell notes to record class lectures.
3. **Key Unit Questions:** Use key terms as well as personal opinion to answer the following questions with thoughtful, complete sentences. Quality responses will be several sentences or a small paragraph. You do not need to re-write the questions.
   1. Why are butter and margarine considered substitute goods? List two other examples of substitute goods and explain how they affect each other when considering price and demand.
   2. What happens to a substitute good when an item goes on sale? What happens to its’ complementary goods? Give a specific example of an item that is on sale and what would happen to its’ substitute and complement given the sale.
   3. We would all be happy to have lower gas prices but what would happen if the government set a price ceiling on gas prices below the equilibrium market price? What are the pros and cons of this government action and results might we see in society as a result?
   4. Why is the demand for insulin inelastic?
   5. Why do Major League Baseball Players get paid higher salaries than the President of the United States? What are the monetary and non-financial benefits of each job? Do you think this is fair?
4. **Miscellaneous**: Anything else used in support of this unit but not specifically listed on the unit sheet.
5. **Capstone Activity:** Each unit will contain at least one assignment that will be saved as part of a culminating semester long final project. This unit students will select three (unrelated) products that they purchased during Unit 1 and recorded on their weekly spending log to use as examples for supply and demand analysis. Student will write a headline of an event that will change demand and supply of each product and graph the corresponding shifts in demand and supply. Students will also explain why these shifts will occur.

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| **COMMON CORE LITERACY STANDARDS** |

**Reading History:**

12.2 Determine central ideas or information or a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

12.7 Integrate and evaluate multiple sources of information in diverse formats and media visually and quantitatively in order to address a question or solve a problem.

12.9 Integrate information from diverse sources, both primary and secondary, into a coherent understanding of an idea or event, noting discrepancies among sources.

**Writing History:**

12.2 Write informative/explanatory texts, including scientific procedures/experiments, or technical processes, including formatting graphics.

12.6 Use technology, including the internet, to produce, publish, and update individual or shared writing products in response to ongoing feedback, including new arguments or information.

12.7 Conduct short as well as more sustained research projects to answer a question or solve a problem; narrow or broaden the inquiry when appropriate; synthesize multiple sources on the subject, demonstrating understanding of the subject under investigation.

12.9 Draw evidence from informational texts to support analysis, reflection, and research.

12.10 Write routinely over extended time frames and over a range of discipline-specific tasks, purposes, and audiences.

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| **CALIFORNIA STATE CONTENT STANDARDS** |

**12.2 Students analyze the elements of America’s market economy in a global setting.**

1. Understand the relationship of the concept of incentives to the law of supply and the relationship of the concept of incentives and substitutes to the law of demand.
2. Discuss the effects of changes in supply and/or demand on the relative scarcity, price, and quantity of particular products.
3. Explain the roles of property rights, competition, and profit in a market economy.
4. Explain how prices reflect the relative scarcity of goods and services and perform the allocative function in a market economy.
5. Understand the process by which competition among buyers and sellers determines a market price.
6. Describe the effect of price controls on buyers and sellers.
7. Analyze how domestic and international competition in a market economy affects goods and services produced and the quality, quantity, and price of those products.
8. Explain the role of profit as the incentive to entrepreneurs in a market economy.