Economics: Microeconomics

Stage 1 Desired Results

ESTABLISHED GOALS:

Competencies:

- Comprehension: Identify and explain concepts, ideas, and processes in the social sciences in order to be an informed citizen.
- Analysis: Analyze sourcing, situation, and arguments using primary and secondary sources in order to identify and appraise multiple perspectives as they apply to current and historical issues.
- Synthesis: Combine ideas to develop and support conclusions using specific and relevant evidence in order to solve complex problems and take informed action.

Content Standards:

- Eco.1.9-12. Analyze how incentives influence choices that may result in policies with a range of costs and benefits for different groups.
- Eco.2.9-12. Use marginal benefits and marginal costs to construct an argument for or against an approach or solution to an economic issue.
- Eco.4.9-12. Evaluate the extent to which competition among sellers and among buyers exists in specific markets.
- Eco.11.9-12. Use economic indicators to analyze the current and future state of the economy.
- Eco.12.9-12. Evaluate the selection of monetary and fiscal policies in a variety of economic conditions.

Transfer

Students will be able to use their learning to ***recognize business practices and be smart consumers.***

Meaning

ENDURING UNDERSTANDINGS

Students will understand that…

- supply and demand function together in response to prices and efficiently allocate resources in the marketplace.
- business owners, through analysis of costs and revenue, try to maximize profit.
- price and output adjustments within a given economy are influenced by the Law of Supply and Demand.

ESSENTIAL QUESTIONS

- How does the 'invisible hand' guide the market to equilibrium?
- How do producers decide what to charge for their product?

Acquisition

Students will know…

- that individuals often respond to incentives, such as those presented by prices, but also face constraints, such as income, time, and legal and regulatory frameworks.
- the law of demand states there is an inverse relationship between price and quantity demanded, leading to a downward-sloping demand curve.
- the conceptual relationship between price and quantity stated by the law of demand leads to downward-sloping demand curves explained by the income effect and substitution effect and/or by diminishing marginal utility.
- that factors that influence consumer demand, such as changes in consumer income, cause the market demand curve to shift.
- that economists use the concept of elasticity to measure the magnitude of percentage changes in

Students will be skilled at…

- analyzing the influence of incentives on choices and policy making.
- constructing an argument.
- evaluating the existence of competition in specific markets.
- analyzing the state of the economy.
- evaluating monetary and fiscal policies.

	quantity owing to any given changes in the own-price, income, and prices of related goods ● that price elasticity of demand is measured by the percentage change in quantity demanded divided by the percentage change in price or the responsiveness of the quantity demanded to changes in price. Elasticity varies along a linear demand curve, meaning slope is not elasticity ● the law of supply states there is a positive relationship between price and quantity supplied, leading to an upward-sloping supply curve. ● that factors that influence producer supply, such as changes in input prices, cause the market supply curve to shift. ● that equilibrium is achieved at the price at which quantities demanded and supplied are equal ● that whenever markets experience imbalances—creating disequilibrium prices, surpluses, and shortages—market forces drive prices toward equilibrium. ● that changes in the determinants of supply and/or demand result in a new equilibrium price and quantity ● that price elasticity of supply is measured by the percentage change in quantity supplied divided by the percentage change in price, or the responsiveness of the quantity supplied to changes in price. ● the supply-demand model is a tool for understanding what factors influence prices and quantities and why prices and quantities might differ across markets or change over time. ● that in a perfectly competitive market, equilibrium is achieved (and markets clear with no shortages or surpluses) when the price of a good or service brings the quantity supplied and quantity demanded into balance, in the sense that buyers wish to purchase the same quantity that sellers wish to provide ● that economists use consumer surplus and producer surplus to measure the benefits markets create to buyers and sellers and understand market efficiency	

	● that factors that shift the market demand and market supply curves cause price, quantity, consumer surplus, producer surplus, and total economic surplus (within that market) to change. ● the impact of the change depends on the price elasticities of demand and supply ● that some government policies, such as price floors, price ceilings, and other forms of price and quantity regulation, affect incentives and outcomes in all market structures. ● that governments use taxes and subsidies to change incentives in ways that influence consumer and producer behavior, shifting the supply and demand curves accordingly ● the production function explains the relationship between inputs and outputs both in the short run and the long run. ● that diminishing marginal returns occur as the firm employs more of one input, holding other inputs constant, to produce a product (output) in the short run ● that fixed costs and variable costs determine the total cost. ● that marginal cost, average (fixed, variable, and total) cost, total cost, and total variable cost change as total output changes, but total fixed cost remains constant at all output levels, including zero output. ● that in the long run, firms can adjust all their inputs, and as a result, all costs become variable. ● that firms respond to economic profit (loss) rather than accounting profit. ● that accounting profit fails to account for implicit costs (such as cost of financial capital, compensation for risk, or an entrepreneur's time), which, if fully compensated, result in normal profit. ● that firms are assumed to produce output to maximize their profits by comparing marginal revenue and marginal cost. ● that in the short run, firms decide to operate (i.e., produce positive output) or shut down (i.e., produce zero output) by comparing total revenue	

	to total variable cost or price to average variable cost (AVC). ● that in the absence of barriers to entry or exit, in the long run (i.e., once factors that are fixed in the short run become variable), firms enter a market in which there are profit-making opportunities and exit a market when they anticipate economic losses. <u>Key Terms, figures and events:</u> Demand, demand graph, market demand, elasticity of demand, change in quantity demanded, change in demand, demand curve, demand schedule, Law of demand,income effect, substitution effect, complements, Supply, supply graph, market supply, elasticity of supply, change in quantity supplied, change in supply, supply curve, supply schedule, law of supply, factors affecting supply/demand,elasticity,equilibrium point, surplus, shortage, law of variable proportions, production function, marginal costs, profit maximization,	
Content Area Literacy Standards		***21st Century Skills***
● RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.. ● RH.11-12.7 Integrate and evaluate multiple sources of information presented in diverse formats and media (e.g., visually, quantitatively, as well as in words) in order to address a question or solve a problem. ● WHST.11-12.5 Develop and strengthen writing as needed by planning, revising, editing, rewriting, or trying a new approach, focusing on addressing what is most significant for a specific purpose and audience. ● WHST.11-12.6 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.		● ***Create Media Products*** ● ***Apply Technology Effectively*** ● ***Adapt to Change*** ● ***Be Flexible*** ● ***Manage Goals and Time***